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WORLD NEWS

Airliner crashes at Berlin

A Soviet airliner carrying 80 passengers crashed yesterday evening while approaching Schoenefeld Airport, East Berlin. East Germany's ADN news agency said 10 people had been saved and rescue work was continuing. The jet went down in light drizzle and fog. The Aeroflot TU-134 was flying on its routine frequency carrying Westerners.

Inquiry into sinking

The Government announced an inquiry into the loss of the cargo ship Derbyshire, which sank in the Pacific in 1980 with the loss of 44 lives. Page 4

Labour N-plan rapped

Labour Party plans to scrap nuclear arms would lead to a catastrophe, where the Soviet Union can look down our throats and tell us where to go," said US State Secretary George Shultz. Nato. Page 2

Man killed by bomb

A man getting into a lorry near Castlederg, Co Tyrone, Northern Ireland, died when a booby-trap bomb exploded. Police said he was not the lorry's usual driver and was not connected with security forces.

Tell all, says Reagan

President Reagan wants former aides Jethro Poindexter and Oliver North, who have refused to testify in the Iran arms scandal, to tell Congress all they know. The White House said. Firm lead sought. Page 2

Poor support for strike

A one-day general strike in Brazil in protest at government austerity measures appeared to attract only patchy support. Page 2

Italian amnesty

Up to 5,000 prisoners are expected to go free under an amnesty approved by Italy's parliament to mark the 40th anniversary of the founding of the republic.

Doctor cleared

A doctor was cleared at Chelmsford of alternative charges of raping or indecently assaulting an eight-year-old girl.

Armstrong criticised

Historians and MPs criticised Cabinet Secretary Sir Robert Armstrong for halting publication of Premier Neville Chamberlain's private diary on the 1936 abdication crisis.

TV world service offer

The BBC offered to fund the £1.4m start-up cost of a television version of the radio World Service and contribute £2m to the first-year running costs of £7.8m. Page 4

Awacs claim denied

The Government denied suggestions that it was already committed to buying the US Awacs airborne early warning system from Boeing rather than the British Nimrod. Page 4

Bad news on smoking

Smokers who give up, or who switch to cigars or pipes, do not substantially reduce the risk of heart attacks, a study published in The Lancet showed.

Hong Kong man to go

Hon Kong, Britain's political adviser to the Hong Kong government, is leaving his post early, a move likely to increase anxieties there. Page 3

Light taxes

France's Government is to tax matches and cigarette lighters to raise funds to help fight summer forest fires in the south.

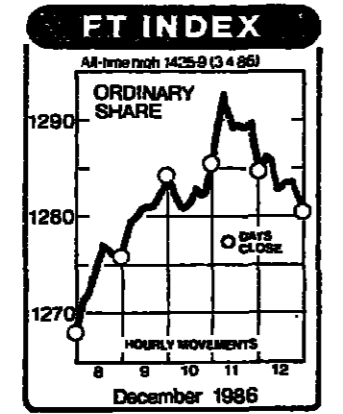
BUSINESS SUMMARY

UK inflation up sharply at 3.5%

UK inflation rate rose sharply in November to 3.5 per cent, the highest annual figure since March, after holding at 3 per cent for the previous two months.

Employment Secretary Lord Young said the rise was expected because of the mortgage rates' increase from November 1. Back Page

EQUITIES: Optimism on oil prices, fuelled by the Bank of England's forecast that crude oil will rise to \$20 a barrel by the start of 1988, helped oil.



FT INDEX ORDINARY SHARE All-Index 1258.93 @ 4.85

The Government announced an inquiry into the loss of the cargo ship Derbyshire, which sank in the Pacific in 1980 with the loss of 44 lives. Page 4

major and government bonds but failed to inspire elsewhere. The FT Ordinary Share Index closed 4.3 down at 1280.4. The index was up 11.9 on the week. Page 1

OPEC has reached agreement in principle for a 5 to 10 per cent output cut in first quarter 1987 to boost oil prices. Ecuador's deputy Oil Minister said in Geneva. Saudis willing to cut output. Page 2

INSIDER TRADING: Reagan Administration is setting up a task force to review US laws on insider trading and junk bonds following the Boesky scandal. Back Page

JAPAN and the EEC announced outline agreement on a handful of limited trade disputes but no significant progress on the huge and growing trade imbalance. Back Page

ASSOCIATED: British Foods, UK food manufacturer controlled by the Weston family of Canada has raised £145m through a new share issue intended to reduce the 70 per cent family stake for tax reasons. Back Page and Lex

UK TAX: Government plans to change the system to encourage companies to pay corporation tax on time and include all relevant pay in PAYE returns, following the Keith Report. Back Page

CHINA is to introduce income taxes to try to narrow the gap between workers who have turned economic reforms to their advantage and those on a set wage. Page 3

JAPAN'S three supercomputer manufacturers denied US charges of unfair trading designed to block sales of imports. Page 3

POCLAIN, French mechanical digger producer, proposed radical financial restructuring to stem continued heavy losses. Page 9

DUBLINER, UK electronic connectors and components manufacturer, announced a 23 per cent fall in pre-tax profits to £3.02m. Page 8

BRITISH SHIPBUILDERS announced a £5m loss in six months to September 30. Page 4. The number of UK-owned and registered large ships could fall by 80 per cent to fewer than 100 by 1995, warned General Council of British Shipping. Page 3

MORGAN GRENFELL, UK financial services group, is to buy C. J. Lawrence, US securities firm, for \$70m (£49m). Page 8; Lex, Back Page

BRITISH GAS: Government spent £41m marketing shares to the public. Energy Secretary Peter Walker said. Page 4

Japan resists pleas from West for digital tape 'spoiler'

By CARLA RAPAPORT IN TOKYO AND DAVID THOMAS IN LONDON

JAPAN AND its Western trading partners are heading for a trade dispute after the Japanese bluntly refused to change a new audio system which the music industry thinks threatens its survival.

The Japanese now look certain to launch the system next year, but the Western music industry will press the US government and the European Commission for laws forcing the changes it wants on the Japanese.

The digital audio tape system will allow almost perfect music reproduction using tape cassettes smaller than compact discs.

The Western music industry fears that combined compact disc-DAT players, which the Japanese have already exhibited, will encourage consumers to tape off compact discs without paying royalties, undermining its copyright earnings.

Senior executives from both sides met in Vancouver, Canada, this week to solve the problem. However, the meeting broke down after the Japanese rejected the demands.

For the music industry, Mr Nesuhi Ertegün, head of Warner Brothers records, told the meeting that because of the DAT is clearly an enormous threat to the survival of the music industry.

He argued that it was in consumers' long-term interests that copyrights should be protected. "It is false to assume

that the consumers should get whatever they want."

He asked the Japanese to support the music industry's quest for US and European legislation requiring DAT machines and tapes to be fitted with an anti-copying device, known as a spoiler.

However, the Japanese rejected the request, saying an anti-copying device would "destroy the major functions of this promising product."

They told the meeting: "We strongly believe that it is a duty of the hardware industry to let the consumer enjoy the result of this epoch-making new technology as soon as possible."

The Japanese said they opposed commercial piracy and would co-operate with the music industry to stamp it out, their sole concession in the Vancouver talks. However, they did not oppose home taping.

Mr Scholchi Saba, chairman of Toshiba, said home taping was "quite different and should be distinguished from piracy."

The music industry will take up the Japanese offer of a campaign against commercial piracy, but thinks that leaves the main issue of home taping unaffected.

DAT machines are expected to be launched in Japan in the next few months. The music industry fears they may be sold overseas as early as next April.

It reacted to the breakdown of the talks by promising "aggressive music industry initiatives in the US Congress

and the EEC to secure implementing legislation.

The Recording Industry Association of America, the US music trade association, will try to get a bill introduced into the next session of Congress imposing a 35 per cent duty on all imported DAT machines without a spoiler.

The International Federation of Phonogram and Videogram Producers, the international music trade association, will press for speedy European legislation requiring all imported machines to have a spoiler and for tariffs on machines as an interim measure.

The federation, which has already discussed those ideas with the European Commission, is to meet senior Commission officials again next week, as are representatives of the Japanese electronics industry.

Commission officials are about to present options to Lord Cockfield, the European Commissioner responsible.

The Commission intends to publish proposals on DAT early next year in a green paper also dealing with other copyright issues. The Commission appears to favour a levy on blank DAT tapes or machines, to be paid to copyright holders, against a tariff on imports.

Any European legislation requiring an anti-copying device in machines may also be accompanied by a requirement on the music companies to produce copiable material.

EEC trade talks, Back Page

ANC planned to step up action Botha declares

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P. W. Botha last night justified South Africa's tough press and opposition crackdown as a pre-emptive move to counter what he said were plans by the African National Congress to step up its revolutionary campaign over Christmas and beyond.

Speaking on state-controlled television, Mr Botha said the restrictions and yesterday's police swoop on alleged ANC activists were "aimed at the Communist Party/ANC structures that are involved in the planning, co-ordination and execution of revolutionary violence."

"Security action had been based on irrefutable information that has been assembled and evaluated with great care and self-sacrifice," he said. At a background briefing in Pretoria before the President's speech, correspondents were given copies of extracts from the ANC documents and speeches, some of them gathered secretly by the South African security forces, on which the Government's allegations of a "co-ordinated revolutionary onslaught" were based.

Documents said to have been distributed to various ANC command centres in October indicated the important role played by the United Democratic Front (UDF), South Africa's largest legal anti-apartheid coalition, in the ANC's overall strategy of creating "mass revolutionary bases" in the country.

But the documents also provide a candid analysis showing "major problems in this area of our struggle" and also reveal

"sharp divisions and conflict within the UDF leadership, the failure of the UDF to work out a programme of action and a set of strategic and tactical objectives, contradictions between national UDF leaders and regional and local collectives, divisions within the Cosatu trade union federation."

These and other failures would seem to undermine the Government's claim that it was forced to ward off an imminent revolutionary onslaught.

The ANC documents also noted the failure of Umkhonto We Sizwe, the military wing of the ANC, "to build up the required links between professional Umkhonto units and the mass combat groups that exist in many parts of the country."

President Botha, however, said that ANC pamphlets indicated December 16 as "an appropriate occasion to step up terror and murder." December 16 is both a historical date commemorating the Afrikaner victory over the Zulus in 1838 and the 25th anniversary of the founding of Umkhonto.

Hours before President Botha made his speech, Mr Pij Botha, the Foreign Minister, announced that two Swiss citizens had been detained by the security forces for allegedly working for the ANC "in the sphere of violence and intelligence-gathering." Earlier, two Swiss citizens were reported to have been abducted from Swaziland.

The Swiss Government protested vigorously and called in the South African chargé d'affaires in Berne to demand further information.

Editor detained, Page 2

WEEKEND FT



NEWSPAPERS

The New York Times is a great paper and a US national institution. A change of hands at the editorial helm is a big news story. Page 1



FINANCE

Insider trading—who are the winners and losers? Page IV



PROPERTY

Weekend FT's resident residential columnist reviews the "yuppie" boom down in London's dockland. Page VIII



HOW TO SPEND IT

Fish eggs at £300 a pound? Anyone for caviar? Page XIII

Inspectors widen Collier insider dealing inquiry

BY CLIVE WOLMAN

THE TWO inspectors appointed by the Government last month to investigate alleged insider dealings by Mr Geoffrey Collier, the former securities chief of Morgan Grenfell, have widened their investigation to other suspects.

Mr Collier was charged with three offences 11 days ago as a result of the investigation. He is alleged to have passed inside information to Mr Michael Casell, a US-based stockbroker, by telephoning from the home of Mr John Holmes, his ex-partner at Morgan Grenfell. So far, no charges have been brought against anyone else.

The inspectors, Mr Graham Kennedy, of stockbrokers James Capel and its joint chairman of the Stock Exchange's Quotations Committee, and Mr Peter Scott QC, chairman elect of the Bar Association, were appointed by the Department of Trade and Industry four weeks ago. They are supported by DTI staff.

The DTI yesterday refused to comment on the investigation. One official however, confirmed that the DTI's staff was fully stretched investigating suspected insider dealing cases.

The chief problem they were facing, he said, was gathering sufficient evidence to prove that suspects had knowingly passed on inside information and that others had knowingly acted on that information when dealing in the markets. The use of offshore bank accounts to conceal

exchange of information between the regulators of the different countries was likely to emerge over the next two years. The meeting had discussed the principles behind such agreements in plenary sessions and in one-to-one discussions. The 10 countries—The UK, US, Canada, France, Switzerland, West Germany, the Netherlands, Japan, Australia and Hong Kong—had agreed to meet again in the middle of next year. There were no immediate plans to widen the meeting to other countries.

SECURITIES DEAL LIKELY

Mr Brian Hilton, Under-Secretary at the Department of Trade and Industry's financial services division, gave details on a two-day meeting in the UK, completed yesterday, of an international group of securities market regulators from 10 countries.

There was wide agreement, he said, that the use of offshore nominee bank accounts was not the main obstacle to tracking down insider dealing and fraud.

Teachers' pay solution closer

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LOCAL AUTHORITY and Education Department officials will meet next week to discuss proposals to put to the teaching unions as a compromise settlement of the long-running pay dispute in schools in England and Wales.

The move, disclosed following a meeting yesterday between local authority leaders and Mr Kenneth Baker, Education Secretary, suggests all sides are within grasp of a pay solution. This would avert the threat of a Government-imposed settlement under the legislation currently going through Parliament.

However, the Labour-led employers went yesterday to shift the focus of the dispute away from the issue of pay structure and incentives for teachers to the question of future negotiating machinery.

Mr John Pearman, the employers' chief negotiator, said the wide-ranging agreement between the local authorities and the unions would fall unless the Government withdrew or amended heavily the Teachers' Pay and Conditions Bill. It proposes replacing the statutory Burnham pay bargaining machinery with an interim pay advisory committee.

He said: "If the Government is not willing to do that, there can be no agreement with the teachers or with the employers. Inevitably, imposition will have to take place."

The development came as the Assistant Masters and Mistresses Association, the third-biggest teaching union, announced a ballot majority of almost two to one in favour of the existing employers' pay and conditions offer, worth an average 16.8 per cent over 15 months.

The ballot produced 32,871 votes (86.2 per cent of those cast) for the offer and 16,747 against. The turnout was estimated at 56 per cent of the union's membership in state schools.

Mr Peter Smith, AMMA's deputy general secretary, said: "This is a vote against the threat by Mr Baker to impose a settlement. I think Mr Baker's threat has backfired on him."

Education Secretary and the employers' leaders was meanwhile described by Mr Baker as "a tremendous move forward."

This was because the employers said they were prepared to trim the £60m cost of their agreement, bringing it within the Government's £500m limit, and also to discuss amending the pay structure.

The first objective could be achieved by staggering further the staged implementation of the agreement; the second could be done acceptably, Mr Baker indicated, by increasing from two to four the number of incentive supplementary pay allowances available to promoted teachers.

He described as "interesting" and "definitely a move in the right direction" a plan put to him yesterday by the Professional Association of Teachers. This would provide for four allowances of up to £4,000 a year, eventually, 45 per cent of the profession.

Continued on Back Page
Unqualified teachers offered premium. Page 5

Land Rover prepared to offer nine-day fortnight

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LAND ROVER yesterday offered its 7,200 manual workers a nine-day fortnight and immediate staff status in what it described as a pace-setting deal for the motor industry.

The company, part of the state-owned Rover group and a candidate for early privatisation, told union leaders that it wanted to break through the annual pay round and offer "a total employment package."

said the proposed two-year deal was "unique" in offering increased leisure time—the nine-day fortnight will give an extra 22 days holiday—and security of earnings.

Union leaders sought an adjournment in negotiations

will next Tuesday to consider an offer which, while meeting some of their peripheral demands, falls far short of their claims for an immediate 15 per cent increase in basic pay.

A growing number of companies are introducing more flexible working time arrangements, but Land Rover's move is far-reaching for the car industry. It is also in advance of similar likely initiatives if current talks between engineering employers generally and the unions reach agreement on reduced and flexible hours.

The Land Rover offer would raise basic pay by 8 per cent over two years, increasing the wage of a typical production

Continued on Back Page

BROWN SHIPLEY'S SPARKLING NEW EUROPEAN FUND

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FT/86

MARKETS

DOLLAR

New York lunchtime: DM 2.0100
FFr 6.855
SFR 1.6895
¥162.85

London: DM 2.0165 (2.0160)
FFr 6.81 (same)
SFR 1.6975 (1.655)
¥163.0 (162.95)

Dollar index: 111.3 (111.1)
Tokyo close ¥162.98

US LUNCHEX RATES

Fed Funds 5 1/4 %
3-month Treasury Bills: yield 3.59%
Long Bond: 10 1/2 % yield: 7.38%

GOLD

New York: Comex Feb latest \$394.2
London: \$390.25 (1838.25)

Chief price changes yesterday. Back Page

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مكتبة الأمل

Curtain will not stay down when MI5 spy court drama ends

Britain's attempt to suppress a spycatcher's memoirs ends near its climax, reports Chris Sherwell



Judge Philip Powell: hardest task begins

THE BRITISH Government's attempt to suppress the memoirs of former MI5 officer Peter Wright reaches a climax on Monday after four weeks of complicated court hearings and more than 15 months of awkward legal battles. Final submissions from the distinguished Mr Theo Simos, QC, for the British Government, and from the young and energetic Mr Malcolm Turnbull, for Mr Wright and his publishers Heinemann Australia, will leave the case in the hands of Mr Justice Philip Powell of the New South Wales Supreme Court.

For him, the hardest task is just beginning. For the two protagonists, there is the agonising uncertainty while judgment is awaited. If the curtain is going down on a high drama, however, it is probably doing so temporarily.

The judgment could well be the subject of an appeal, which is likely to be more than a mere epilogue. Also, there have been some equally dramatic arguments elsewhere which are not likely to be resolved by the judgment.

The most public of these has occurred in the British House of Commons. Rarely can the rumblings from a foreign court have reverberated so resoundingly around Westminster.

The reason was Whitehall's chief mandarin - the Cabinet secretary, head of the Civil Service, and chief official adviser on security - being put relentlessly through a grilling on some of the Government's most secret practices.

That it was happening in public, abroad and probably for the first time was bad enough. When Sir Robert was obliged to admit at one point that he had misled the court, the embarrassment was palpable, the apologies abject.

Not that Sir Robert acquitted himself poorly, as some think. Time after time he showed himself to be remarkably, if irritatingly, skilled in the art of evasion - or, more accurately, avoidance.

At one moment he would answer for the Government, the reason he was in Sydney in the first place. At another he would speak for himself, usually in the negative ("Not to my knowledge"). At still another, he simply could not remember, or was "not aware."

If it is going too far to say that he met his match in the tenacious 32-year-old Mr Turnbull, there seems little doubt that, whatever the eventual verdict, Mr Turnbull has made his name through this case.

A former journalist who studied law and won a Rhodes Scholarship to Oxford, Mr Turnbull was well-known and well-connected before he agreed to represent Mr Wright.

This has undoubtedly been the big one, and he has handled it well both inside and outside court room 8D. Outside, he made himself accessible to the Press without compromising his relationship with the court.

Under the compromise that settled the matter, the Government safeguarded the papers' secrecy but had to make certain admissions over their contents. The ailing Mr Wright's affidavit, by contrast, was probably the highlight of the hearing if one discounts the spectacle of Sir Robert's sensational confession.

Looking tired and nervous, and speaking slowly because of a speech impediment, Mr Wright's obsession with the problems of MI5 and Britain was immediately obvious. As the Government's former chief spycatcher and molehunter, he asserted that Mrs Margaret Thatcher, the Prime Minister, had twice misled Parliament.

Little of this answered the Government's case, however, and Mr Simos slowly ploughed his own parallel furrow, arguing that Mr Wright was in breach of his contract and of a life-long duty to maintain confidentiality. As he put it at one point, "we stand or fall on this."

Mr Wright disputes the existence and terms of these obligations, but Britain still has a fallback argument that publication of an insider's memoirs is so damaging that it overrides the public interest to know details.

In this it has received the support of the Australian Government, an important factor since, as the judge reminded the court on several occasions, it was the Australian rather than the British public interest which he had to consider.

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the interminable arguments over secret government documents which offered the defence the prospect of hard evidence to support its contention. Under the compromise that settled the matter, the Government safeguarded the papers' secrecy but had to make certain admissions over their contents. The ailing Mr Wright's affidavit, by contrast, was probably the highlight of the hearing if one discounts the spectacle of Sir Robert's sensational confession. Looking tired and nervous, and speaking slowly because of a speech impediment, Mr Wright's obsession with the problems of MI5 and Britain was immediately obvious. As the Government's former chief spycatcher and molehunter, he asserted that Mrs Margaret Thatcher, the Prime Minister, had twice misled Parliament.

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Malcolm Turnbull: made his name in the case

Nato agrees arms talks priorities

BY ROBERT MAUTHNER IN BRUSSELS

NATO FOREIGN ministers yesterday agreed on a set of priorities for the arms control negotiations between the US and the Soviet Union intended to ensure that the interests of Washington's European allies are fully taken into account.

The agreement came at the end of a surprisingly smooth two-day conference, given the doubts that have been expressed in West European capitals about President Reagan's negotiating stance at his recent summit in Reykjavik with Mr Mikhail Gorbachev, the Soviet leader.

The priorities listed in the final communique echoed almost word for word those established by President Reagan and Mrs Margaret Thatcher, the British Prime Minister, at their Camp David meeting last month.

The Atlantic allies backed the US in its efforts to negotiate 50 per cent cuts in US and Soviet strategic forces and the elimination of the two superpowers' land-based longer-range intermediate nuclear forces in Europe, with limits of 100 warheads each in Soviet Asia and the US.

In this context, they also underlined the need to wipe out the Soviet Union's present advantage in shorter-range nuclear weapons, the importance of removing disparities in conventional forces and the aim of achieving a total ban of chemical weapons.

Significantly no mention was made of President Reagan's offer, to Mr Gorbachev in Reykjavik that all offensive ballistic missiles should be abolished

The Soviet Union yesterday said it regretted the lack of progress in the latest round of the 13-year-old Vienna talks on cutting conventional forces in Europe. Reuter reports from Moscow, Ambassador Valerian Mikhailev, who heads the Soviet delegation at Vienna, blamed what he called an artificially created deadlock on "the stubborn persistence of the North Atlantic Treaty Organisation countries to distort the purpose and the substance of the talks. Speaking at a news conference, Mr Mikhailev declined to comment on a proposal from Nato yesterday for new East-West talks on troop cuts which would expand the region of the reductions to the whole of Europe. Mr Mikhailev said the Soviet

over a period of ten years, which created such a stir among his European partners. Washington's European allies fear that a drastic reduction of the American nuclear umbrella would make them even more vulnerable to Moscow's superiority in conventional forces. Their concern was clearly mirrored in the communique, which stressed that nuclear weapons could not be dealt with in isolation, but that their reduction must go hand in hand with progress in other areas of arms control.

It was this concern which led to Nato countries on Thursday

Union and its Warsaw Pact allies had made concessions in Vienna but had received no response from Nato. A Soviet Foreign Ministry statement yesterday accused the US of indulging in gross slander in trying to justify its decision to breach the Salt-2 strategic arms limitation treaty. The statement strongly denied "unsubstantiated" accusations by the US Arms Control and Disarmament Agency on Wednesday that Moscow had repeatedly violated the provisions of the 1979 treaty. "Realising that its abandonment of Salt-2 deals a blow to US prestige in the world, the American Administration again resorted to crude, unscrupulous slander of the Soviet Union in an attempt to whitewash itself."

to agree to a new forum for East-West negotiations on conventional forces. But Mr George Shultz, US Secretary of State, and Sir Geoffrey Howe, the British Foreign Secretary, went out of their way to stress the urgent need for what Sir Geoffrey called a "quantum improvement" in the human rights performance of the East.

While declining to establish a formal link between the Eastern bloc's human rights record and arms control negotiation, both ministers emphasised that the right atmosphere for East-West agreements could be

created only if Moscow and its allies changed their approach to human rights.

The recent death in prison of Mr Anatoly Marchenko, the Soviet dissident, was a brutal reminder of Soviet attitudes. Mr Shultz and Sir Geoffrey said. It was certainly not the moment to press for the conference in Moscow on human rights, as the Soviet Union had proposed. Mr Shultz appears to have been successful in persuading his partners of the continuity and firmness of US foreign policy, in spite of President Reagan's domestic problems over arms sales to Iran and the failure of the Reykjavik talks.

The US Secretary of State denied that he had found it necessary to undertake any "rebuilding" of NATO's unity. "We have an alliance that works, consults and thinks together," he said. Sir Geoffrey said that every- one had concluded

OVERSEAS NEWS

UK NEWS

Japanese deny US claims on supercomputers

BY IAN RODGER IN TOKYO

JAPAN'S three manufacturers of supercomputers have denied US charges of unfair trade practices designed to block sales of imports in the Japanese market. "We do not believe the market is closed to US manufacturers," NEC said yesterday. The Ministry of International Trade and Industry (MITI) also denied reports that it was investigating supercomputer marketing practices. It said it would wait to hear the precise US charges at bilateral talks on electronics trade planned for next month. US trade officials said on Wednesday they were starting an investigation and were seeking consultations with the Japanese Government on whether government agencies had been excluding foreign-owned companies from their procurement lists. Supercomputer marketing is a difficult issue because the main customers are universities and research establishments,

Income tax aimed at Chinese wage gap

By Robert Thomson in Peking

CHINA is to introduce income taxes to try to narrow the ever-widening and politically-sensitive gap in earnings between workers who have turned reforms to their advantage and those on a set wage. Tax rates will be a maximum of 60 per cent of earnings. They are clearly aimed at big earners, as the minimum taxable income is four times the average wage, about £185 a year in urban areas. Diplomats say the policy of "allowing some to get rich first" has created widespread jealousy as private entrepreneurs have opened businesses that are providing them with incomes of 10 or even 20 times the average. While some workers on set wages have been content, others have taken second jobs and some have dropped out of the state job structure to run private businesses. The tax, which will apply from January 1, covers interest, dividends and bonuses given to efficient workers. The official Chinese news agency Xinhua quoted an official from the Ministry of Finance saying the "current policy of encouraging people to get rich will continue, but there must be a new tax to prevent the income gap from becoming too wide. "Thanks to the economic reforms, more and more people are earning extra income. While this is conducive to the effort to eliminate egalitarianism, this has made it possible for some people to earn excessively high incomes, thus straining the supply of goods."

Tokyo draft bill proposes cut in working week

BY OUR TOKYO CORRESPONDENT

THE Japanese are being encouraged to work less—and not yet. The Government's Labour Standard Council has submitted a draft bill that would reduce the maximum legal working week from 48 hours to 40 hours. Many regard this proposal as long overdue and increasingly urgent because of Japan's rising unemployment problem. The Government's Economic Planning Agency said in a recent report that Japan was "one of the most backward of the industrialised countries" when it came to reducing working hours. The average Japanese employee still works 1.5 months more per year than his or her US counterpart, the report said. The council's proposal, which is likely to be passed in the legislature next year and come into effect in 1988, would also raise the minimum number of annual paid holidays from six to 10 days. The council has suggested that small and medium-sized companies be allowed to delay the reduction in working hours for about three years. Companies should also be allowed to have longer working hours provided they had the agreement of employees. It would be the first major change in the Labour Standard Law since 1947.

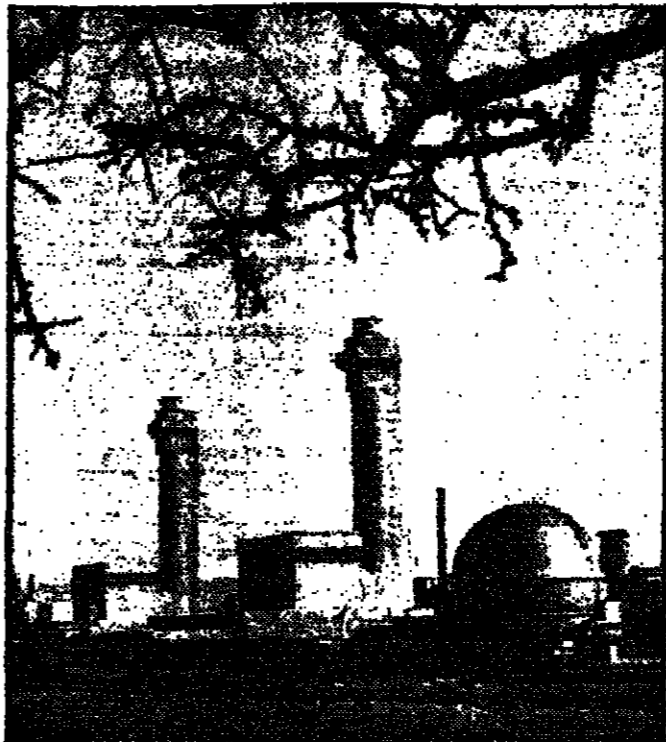
Hong Kong official to leave post

BY DAVID DODWELL IN HONG KONG

MR JOHN BOYD, Britain's political adviser to the Hong Kong government, is to leave his post early next year in a surprise move that may aggravate anxieties here that Whitehall will have less control of political developments in the territory at a critical period of transition. The news comes less than a week after the sudden death of Sir Edward Youde, Hong Kong's governor. With the planned retirement next June of Sir David Akers-Jones as the head of Hong Kong's civil service, Britain will have lost three men entrusted with important roles in ensuring a smooth transition to Chinese sovereignty in 1997. The three formed the core of a tiny group responsible for gauging local concerns about the future, reconciling these with British foreign policy interests, and representing these interests in negotiations with Peking. Chinese plans to complete by 1988 a draft of the basic law which will put flesh on the bones of the post-1987 constitution contained in the Sino-British joint declaration on Hong Kong, has already begun to take the political initiative out of Whitehall's hands. Mr Boyd, who is expected to become a Deputy Under-secretary at the Foreign Office, leaves his post after just two years. Under normal circumstances he would have been expected to stay for at least four years. His successor will be Mr Richard Cliff, who headed the Foreign Office's Hong Kong Department in 1979-1984, and has had two postings to Peking. Sir David Akers-Jones' retirement has been planned for some months, but Sir Edward Youde's death has catapulted him into the position of Acting Governor, and turned on its head the plan to ensure a smooth transition for his successor, Mr David Ford. The latter was promoted yesterday to Acting Chief Secretary. Four Foreign Office candidates have so far attracted serious attention as potential Governors — Mr David Wilson, who heads Britain's team in the Sino-British joint liaison group; Sir Percy Cradock, a former ambassador to China and currently a special adviser to the British Prime Minister; Sir Richard Evans, ambassador to China; and Mr Alan Donald, ambassador to Indonesia.

David Fishlock on official concern over a nuclear plant's operations Making Sellafield a safer place

SELLAFIELD, as 60,000 tourists—twice the usual number—have discovered this year, is a mélange of ancient and modern chemical plant.



Sellafield: About 100 buildings, some being built, some disused

The square mile of Cumbrian shore occupied by the factory is also Europe's biggest construction site, where its owner, state-owned British Nuclear Fuels, is pursuing a £2.5bn investment programme. What began life as a wartime ordnance factory where shells were filled with explosive is being rebuilt as a nuclear factory for the next century. But there is a long period when old, new and partly constructed must live harmoniously and, above all, safely together. The factory reprocesses spent nuclear fuel with chemical treatments which separate unused fuel from waste products of nuclear reactions. It is BNFL's biggest factory and biggest source of revenue, and Britain's biggest earner of Japanese currency. Mainly, because of this, BNFL could grow in the next 10 years to the present size of Unilever, Mr Christopher Harding, chairman, believes. But its reprocessing activities could be shut down temporarily if it falls in the next year to comply with demands of the Government's nuclear inspectors. Like inspectors of mines, factories and other potentially hazardous premises, nuclear inspectors have a right to override political or commercial considerations should they deem a facility to be unsafe. Their threat to Sellafield was made public on Thursday when the Health and Safety Executive disclosed the findings of a £650,000 special audit, made in addition to its routine surveillance of safety, last summer. Mr John Rimmington, director-general of the executive, ordered the audit after a highly publicised series of radioactive "leaks" early this year. In fact, such an audit was already planned when the leaks happened. The inspectors say in their report: "The shift in focus from old to new, from less safe to much safer, is capable of diverting attention and resources from the older part of the site and the established processes."

pressing, the inspectors say, because no matter what political decisions the future may hold for nuclear energy in Britain, these plants "must continue to operate for many years to come."

One illustration they give of management's concern with short-term requirements at the expense of long-term considerations is the control room of the reprocessing plant itself, the heart of Sellafield's operations, which visitors are proudly shown. The inspectors say it has been so greatly adapted that it no longer presents a clear summary of the state of the plant to its operators. In some Sellafield operators, the inspectors say they detected "an attitude to their own safety which is in a number of respects 'insufficiently thorough.'"

As for Sellafield management, they find in the case of the reprocessing operation it has not been in sufficient command or sufficiently well resourced. Despite recommendations made in 1981, in the last big audit, the inspectors think management has yet to achieve the right balance between the authoritative advisory role of the safety committees and the responsibility of line management for safety of operations. One building—not on the tourist itinerary—with which the inspectors say they are particularly dissatisfied is used to store waste, which arose from the old Windscale pile, shut down 28 years ago. Nevertheless, in complete contrast to public perceptions about Sellafield, the inspectors believe that its notorious leaks have lessened both in number and severity since 1979. They say there has been no serious incident within the factory fence in recent years "and none that has affected the health and safety of the public in any measurable way."

BNFL has its priorities right in trying to reduce regular emissions of radioactivity and the exposure of its employees. But the inspectors are critical of the fact that, in applying these priorities, management's attention might have been diverted from the need to replace plant, skill and management in potentially hazardous parts of older plant. The problem is the more

Shipping fleet 'could fall by 80% in 10 years'

By Kevin Brown, Transport Correspondent

THE General Council of British Shipping has warned the Government the number of large ships owned and registered in the UK will fall by more than 80 per cent within 10 years unless owners are given fiscal incentives to invest. Mr Garry Runciman, president, said the number of UK-owned and registered ships of 500 gross tons or more would fall from 566 to fewer than 100 by 1995—far short of strategic needs. It compared with 1,143 ships six years ago and 1,614 in 1975, when the fleet reached its peak.

Mr Runciman was responding to the announcement by Mr John Moore, the Transport Secretary, of plans to establish a Merchant Navy Reserve and to offer financial help to shipowners to train and maintain crews. Mr Runciman said the measures were useful so far as they went. They were no substitute, however, for the restoration of 100 per cent capital allowance on ship investment, abolished by the Chancellor in the 1984 budget.

Much of the British shipping industry had remained profitable only by transferring existing ships to overseas registers. Those ships could not be counted on to be available to the Government for defence purposes in an emergency. Mr Runciman said: "When it comes to reinvestment, British owners are likely to build or buy, if at all, not merely for foreign registry but for foreign ownership."

Ships bought or built would be held in subsidiaries outside the UK tax net and be subject to those conditions, such as seafarers' nationality, attached to fiscal advantages offered by countries other than the UK. The Government had not begun to address the threat to the strategic importance of the merchant fleet and appeared not to recognise the fundamental problem of investment. A fiscal regime comparable to that available in other countries, was necessary, Mr Runciman said.

ends
Last ditch EEC bid for farm reform
Swedish inflation
Calm in Zambia
Philippines debt
Malta agreement
China-India row

A FINANCIAL TIMES SURVEY UK Industrial Prospects Monday January 5, 1987. The Financial Times proposes to publish a Survey on the above. The aim of this Survey is to assess the prospects for a number of key industries in the coming year. The main emphasis will be on the UK but the international context will be fully analysed and described. The articles will be illustrated by charts and tables and will contain some profiles of individual companies. Important trends affecting each sector will be discussed. Introduction: A review of 1986 with reference to production trends in key sectors, imports and exports, technological changes, changes in structure and the impact of government policy. The outlook for growth in 1987, world trade prospects, likely changes in competitive performance. Economic Outlook: Prospects for demand, corporate profitability, capital spending. Takeovers: Some very large mergers have changed the shape of several British industries. How are they likely to affect performance and will they continue? Technology: How has technological change affected the major industries? Is the process accelerating? Management: An assessment of the quality of management in British industry. The rest of the survey will consist of detailed forecasts for each of the following sectors: Machinery (mainly capital goods) Banking; Motor Industry Securities; Aerospace Steel; Food Processing Consumer durables (white and brown goods); Pharmaceuticals Textiles and Clothing; Building and Civil Engineering Property; Transport (including aviation, road and rail transport) Retailing; Leisure Industries (including hotels and tourism) Agriculture; Insurance. For further information on advertising please contact: Andrew Wood Tel: 01-243 5116 or write to him at: Financial Times, Bracken House 10 Cannon Street, London EC4A 3BY. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER LONDON · FRANKFURT · NEW YORK

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	INTENDED RETAIL PRICE	SALE PRICE		INTENDED RETAIL PRICE	SALE PRICE		
PAKISTANI FINE DOUBLE KNOT	6'x4'	£425	£185	YALEMEH	5'1" x 3'1"	£255	£360
SUPER WORSTED	6'x4'	£425	£185	DOSHMEALTI	6'1" x 4'1"	£450	£175
PAKISTANI	12'x9'	£1,150	£690	SHIRAZ	5'7" x 3'	£360	£175
HAMADAN	7'x4'	£475	£280	AFGHAN	12'x9'	£1,150	£550
CHINESE SUPER WASHED	12'x9'	£2,250	£800	BALKAN TABRIZ	10'1" x 7'11"	£1,200	£675
5% PILE	12'x9'	£1,750	£900	ANTIQUE CAUCASIAN KAZAK		£3,200	£1,400
FINE KESHAN	6'9" x 4'6"	£1,750	£900	ANTIQUE CAUCASIAN SHIRVAN		£3,500	£1,800
TURKISH KHELLIM	6'x3'6"	£175	£60	BELOUCH	4'10" x 3'1"	£95	£50
BOKHARA TABLE MATS	1'x1'	£12	£7	TABRIZ	7'1" x 4'4"	£2,150	£1,100
QUOM SILK	5'x3'	£2,800	£1,350	JAIPUR	6'1" x 4'2"	£295	£145
ISPAHAN	8'x5'	£2,800	£1,350	MORI BOKHARM		£45	£25
NAIN—PART SILK	6'2" x 3'7"	£1,350	£675	PUSHTI		£45	£25
OLD AFSHAR	7'2" x 4'8"	£900	£525	OLD ANATOL			
SENNEH	5'4" x 3'10"	£850	£360	KELIM	9'8" x 5'10"	£400	£195
SILK HERKE	5'1" x 3'2"	£4,200	£2,200	SAMAKAND	5'7" x 3'1"	£195	£90
SILK KAISERI	6'2" x 4'3"	£3,250	£1,600	RUSSIAN BOKHARA	10'1" x 8'3"	£2,600	£1,350
MELAS	7'2" x 4'3"	£375	£195	SINKIANG	5'x3'1"	£110	£55
YAYALI	6'7" x 3'10"	£325	£150				

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Derbyshire inquiry to go ahead after six-year fight

BY KEVIN BROWN AND IVOR OWEN

THE GOVERNMENT bowed yesterday to pressure from seamen's unions and opposition MPs for a full inquiry into the loss of the British cargo ship Derbyshire, which sank in the Pacific in 1980 with the loss of 44 lives.

State shipyards lose £51m

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH SHIPBUILDERS yesterday announced a loss of £51m in the six months to September 30. The publicly owned corporation blamed the depressed world shipbuilding market.

BT to shed 400 jobs at its Fulcrum subsidiary

FINANCIAL TIMES REPORTER

MORE THAN 400 jobs are to be shed at Fulcrum Communications, a British Telecom subsidiary which makes and repairs telecommunications equipment.

Boost for Ulster jobs

BY OUR BELFAST CORRESPONDENT

THE RISE in unemployment in Northern Ireland will slow over the next year partly because of increased public spending, says an economic review published yesterday.

BASE LENDING RATES

Table with 3 columns: Bank Name, Rate, and other details. Includes entries for ABN Bank, Adair & Company, Allied Arab Bank, etc.

Advertisement for Providence Capital, featuring a logo and text: 'THE UNIT TRUST PEOPLE'.

BBC offers £3.4m to start world TV service

By Raymond Snoddy

THE BBC yesterday offered to fund the £1.4m start-up cost of a television version of the radio World Service and contribute £2m towards the first-year running costs of £7.8m.

Amstrad to launch PC in US

By David Thomas

AMSTRAD, the fast-growing consumer electronics and computing group, is poised to enter the US personal computer market now it has found an American distributor for its new low-cost IBM-compatible machine.

British Gas flotation cost £164m

By Lucy Kellaway

THE Government spent £16m on marketing British Gas shares, Mr Peter Walker, Energy Secretary, said yesterday.

Reshuffle at Woolworth

By David Churchill

WOOLWORTH Holdings, the retail group with stores including F. W. Woolworth, B & Q and Comet, yesterday announced a restructuring of senior management.

ECONOMIC DIARY

TODAY: EEC Agriculture Council meets in Brussels (until December 14).

Philip Stephens previews talks between Nigel Lawson and James Baker Pressures for an economic accord

THIS WEEKEND's lightning tour of European finance ministries by Mr James Baker who arrives in London tonight to see Mr Nigel Lawson, Chancellor, is being billed as a low-key affair.



James Baker (right) meets Nigel Lawson for one of a series of informative talks with European ministers

The official message from Washington and European capitals is that his bilateral meetings will be informative rather than substantive.

BUNDESBANK DEFENDS POLICY

The West German Bundesbank yesterday moved to dampen criticism from France that its monetary policy was damaging the position of the franc in the European Monetary System.

Commitment to Awacs denied

BY IVOR OWEN

SUGGESTIONS that the Government is committed to buying the Airborne Early Warning System from Boeing of the US, rather than the Nimrod from GEC of Britain, were denied in the Commons yesterday.

Mod welcomes Drops contract inquiry

BY IVOR OWEN

THE Ministry of Defence will be cleared by an inquiry into the handling of the £200m contract for a battlefield ammunition transporter, Mr Archie Hamilton, Under-Secretary for Defence Procurement, forecast in the Commons yesterday.

Kinnock stands firm on defence policy

BY PETER RIDDELL, POLITICAL EDITOR

THE DISPUTE over Labour's non-nuclear defence policy has intensified with a fresh Conservative attack and a reaffirmation by Mr Neil Kinnock, the leader, of the Opposition, that all US nuclear weapons would be removed from Britain.

Welsh body lets record factory space

BY ROBIN REEVES

A RECORD 2.03m sq ft of factory space, with the potential to create 6,300 jobs, was let by the Welsh Development Agency in 1985-86. This was a 28 per cent increase on lettings the previous year, according to the WDA's annual report published yesterday.

When Mr Baker arrived in Brussels yesterday he said the time was not right for a growth-and-exchange pact with West Germany. He is due to meet Mr Stiller, German Finance Minister, today but said his talks with Mr Stoltenberg and separate discussions with the British, Italian and French counterparts ministers over the next few days were not intended to produce specific results.

West Germany's general election in late January preclude for the time being a commitment by Mr Stoltenberg on the sort of action Washington is seeking to generate faster economic growth in Europe.

Conflict on futures jurisdiction

BY ALEXANDER NICOLL

A DISPUTE is brewing among two of the new self-regulatory organisations for London investment markets, over which should oversee firms dealing in financial futures and options.

WDA's spending limit for 1987-88

BY ROBIN REEVES

WDA's spending limit for 1987-88, announced by the Government on Monday, would give an extra £10m to spend.

European governments are sceptical that in the medium term the so-called Baker-Miyazawa pact will prove substantive. They are equally aware, however, that over a while the burden of any further dollar devaluation falls on European currencies.

That in turn would imply an appreciation in the value of European currencies against the yen, a point which is said to have been one of the main preoccupations of recent discussions between European officials. Japan's trade surplus with the EEC is already expected to total \$20bn (£4,000m) this year.

The pressure on West Germany to reach some sort of accommodation with the US after its elections will also come from Europe. France and Italy, for example, are doing little to hide their irritation with the Bundesbank over its apparent inflexibility on interest rates.

The recent strains in the European Monetary System and France's long-term commitment to a system of reference rates for the world's leading currencies promise some strong exchanges between Paris and Bonn.

Both sides are acutely aware, however, that unless Mr Baker is able to prepare the ground for some sort of deal, then the alternative will be renewed turmoil on foreign exchange markets.

Mr Hamilton defended Lord Trefgarne, who he said had been unlucky in relation to the contract but he looked forward to the ministry doing future business with it.

Mr Kinnock said Labour was not proposing "a fit-for-tat or quid pro quo". He said the party was "saying the objective is the clearing of US nuclear weapons from Britain. There is nothing that we would trade or should trade to achieve that objective."

Advertisement for I.G. INDEX, FT for December 1277.125 (-9), Tel: 01-828 5699.

Two years of growth envisaged

BY TONY JACKSON

THE EUROPEAN paper industry faces two further years of good growth and profitability, according to Mr David Clark of the Paris-based European Paper Institute.



Pulp & Paper

Speaking at a Financial Times Conference in London, Mr Clark said: "We are now entering the fourth or fifth year of good market conditions—the best period we have had for many years. There is no reason why 1987 and 1988 should not continue the same."

Europe had become very dependent on international exports, especially to North America, he said. In two years exports to the US market had added 1m tonnes to European production and sales. From being an importer of technology from North America in the past, Europe was increasingly becoming an exporter.

European pulp and paper companies are now investing in North America, and in some cases selling their technology to American producers," Mr Clark said.

Mr Ros Arell of Jaakko Poyry, the Finnish consultancy, questioned whether the paper industry's concentration on process technology had been to its advantage.

"Instead of getting cheaper per tonne of output, new mills have more expensive in real terms," he said. "These increased costs have not yet been passed on to the customer."

The openness of the industry in sharing technology was a further important reason for inadequate profitability, he said. It encouraged equalisation of cost structures between companies, and many products rapidly became commodities.

Mr Richard Williams, from Kernow of the UK, said there was scope for increased use of minerals such as clay and calcium carbonate in paper making. In coated mechanical paper alone, new capacity called for a 500,000-tonne increase in mineral use.

Mr Williams said the revolution in the newspaper industry could create a need for mineral filler in newsprint. "Should all North American and European newsprint be filled with only 5 per cent filler, a market for 1m tonnes would be created," he said.

Mr Denis Xavier Destrehan, of the Association Forest-Cel-

lose of France, said there was great scope for increasing the yield from forests. Production from natural forests was only 1 per cent of the theoretical maximum. Forestry and biotechnology techniques could increase this by a factor of 10 or more.

Mr Jori Pesonen, from Valmet of Finland, which is now the world's biggest maker of paper machinery, said he expected the total world market for new paper machines to be about 60 start-ups a year for the next 10 years.

The largest number, about 51 a year, would be for south-east Asia, but these would be small machines. At the same time more than 140 machines would be modernised each year, mostly in western Europe and North America.

The trend towards efficient mills which could also afford to invest in environmental protection was forcing up the average size of machines. "The size class of paper machines of under two metres in width will probably disappear," Mr Pesonen said.

Mr William Wesson, who heads the international business section of Scott Paper of the US, said his company had identified the EEC market for tissues as its largest single opportunity anywhere in the world.

He conceded that the European market had modest growth

and was very unlikely to reach levels of per capita consumption approaching those in the US, but it ranked alongside North America as the key to the world personal care business.

In the past four years, Scott had made a complete change in its management culture. Its overseas operation had mostly been in the form of joint ventures, and the group had treated them as investments rather than as investments rather than as investments.

Mr Casimir Ehrnrooth, chairman of the Finnish company Kymmene-Stromberg, said Finland was not employing a strategy aimed at dominating EEC markets. Until 1984 the nation's market share within the Community had been 8 per cent, and had reached 10 per cent in 1985 without endangering the local industry.

"Finland must be seen as the complementary supplier to the strong Community industry," he said.

Dr Siegfried Meyzel, chairman of the Austrian company Leyka-Murata, said timing was of paramount importance in a highly capital intensive industry such as paper. This meant choosing the right time for investment and implementing the decision as quickly as possible.

It also meant adjusting to market changes faster than competitors.

Call for 'non-linear innovation'

BY DAVID FISLOCK, SCIENCE EDITOR

ONE of the most damaging ideas to the exploitation of science is the simple, aggressive model of innovation, according to a joint report by the chairman of two of the Government's top scientific advisory bodies.

According to this model, there is a linear sequence of basic, strategic and applied research, experimental development, design and, eventually, a marketable product.

In fact, successful exploitation of science "comes from the interaction between research and the market place at all levels and in all directions," according to Sir Francis Tombs, chairman of the Advisory Council for Applied Research and Development (Acad) and Prof Sir David Phillips, chairman of the Advisory Board for the Research Councils.

"Sometimes the product comes first, and the research later," they say, citing the steam engine and penicillin. Sometimes basic and strategic research and development, all proceed simultaneously, as seems to happen in Japan.

The authors want to foster a community of interest between the academic world and industry, and say there are encouraging signs that this will happen.

They cite the Alvey programme for research into information technology, and the joint opto-electronics research scheme. The Link research programme announced by the Government on Wednesday is a more broadly based scheme of this kind, seeking to give academics an indication as to the areas of research which

most interest British companies. The new freedom of universities to exploit ideas themselves could have far-reaching implications for the way universities relate to commercial exploitation, they say.

So far, 33 universities or university colleges have been authorised to do their own exploitation, and to retain their share of royalties or receipts. Warmly welcoming this initiative, the authors say benefits will flow both to the economy and to the individual institution.

"But more generally we see benefits arising from a changed climate of opinion within universities towards industry and exploitation." The science base and industry: Second joint report from the chairman of ACARD and the ABRC. HMSO. £3.80

Kaye Pechiney bought out in £4m deal

By Charles Batchelor

A MANAGEMENT team from Kaye Pechiney, the UK subsidiary of Pechiney, the French nationalised aluminium company, has bought out the bulk of the company's operations in a £4m deal.

The company, which has operations in Doncaster, South Yorkshire, and Enfield, Middlesex, makes aluminium extrusions, specialising in door and window parts for the building industry. It has been renamed Kaye Aluminium.

The buy-out team was led by Mr John Hargreaves, 47, the factory and production manager, and Mr Neil Paddon-Smith, 44, the sales manager. The managers have put up £112,500 for control of the company with the rest from an investment syndicate.

Service sector unionisation 'limited'

By Philip Basset, Labour Editor

Trade Unions are unlikely to be able to organise more than about one-third of the 6m workers expected to be employed in service industry growth areas by 1990, said Mr John Edmonds, general secretary of the General, Municipal and Boilermakers' Union.

Speaking yesterday to personnel managers at an Industrial Society conference, he said current unionisation levels in these areas, such as hotels, catering, fast food and cleaning, stood at 10 per cent to 15 per cent. There was no difficulty increasing membership, but high labour turnover and anti-union management attitudes meant sustaining it was difficult.

Manufacturing and service industries were becoming more closely intertwined, as many manufacturing companies contracted out peripheral services such as cleaning or security.

Mr Edmonds warned against the development of a two-tier workforce, with manufacturing and public utilities at its core and a secondary tier of service sector employment—all buttressed by a "sub-stratum" of unemployment.

On union law, he acknowledged unions now accepted the law's role in industrial relations. These union members who did not were no longer listened to.

Though they might not like it, unions recognised limits had to be placed on certain aspects of their behaviour by a society which would no longer tolerate them.

This was a "very significant change" in trade union thinking over the past three years. Union and Labour Party considerations about its balance, not about whether it should be in place.

The Confederation of British Industry, the employers' organisation, also called for balance in employment law yesterday. However, it said it saw no need for fresh legislation to bolster individuals' rights — a central strand of Mr Edmonds' argument with a comparability review of similar jobs in the private sector, and chief officers and

Cunard hotel employees vote for severance terms

BY CHARLES LEADBEATER, LABOUR STAFF

HOTEL STAFF on the QE2, the Cunard cruise liner, have voted overwhelmingly to accept severance terms offered by the company allowing it to replace them with crew supplied by a manning agency.

The vote reflects the competitive pressure in the industry generated in the last 18 months by the large number of companies which have brought in foreign crews on lower rates of pay.

Cunard's move to use a manning agency could have far-reaching consequences for manning arrangements throughout the industry.

Just over 76 per cent of the 795 stewards, bar tenders, and kitchen staff voted to accept the offer of one year's salary, plus £900 a year of services to buy them out of their employment contracts. Only 47 rejected the offer, and 140 did not return ballot papers. Cunard estimates the redundancy package with cost about £13m.

The employees are all members of the National Union of Seamen, which had urged staff to boycott the ballot. The union yesterday said it would prevent the liner sailing if Cunard employed non-union crew on lower rates of pay.

The union's executive council will hold a special meeting over the weekend to discuss what action to take. The union has already contacted seamen's union in other countries to enlist their support.

The union may use an executive council by law, agreed last month, which allows the NUS to expel members taking voluntary redundancy to let a company introduce manning agency labour.

Catering workers expelled from the NUS would be unlikely to find work on any other UK vessel, because the national agreement with the National Maritime Board allows the union to operate a closed shop.

However, expulsion of the catering workers could add to strains on the system, which have led the NUS to seek urgent talks with the General Council of British Shipping to discuss reforms. Some NUS officials are arguing the union should set up its own manning agency, or "union hiring hall."

Cunard expected many staff members to continue working on the QE2 but on a manning agency contract. However, the NUS was certain foreign workers would take the jobs on lower rates of pay. Catering staff who rejected the company's terms may be offered jobs on other Cunard vessels.

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Senior council officers' pay rose 9%, says survey

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE PAY of the 6,000 most senior officers in local authorities has risen by an average of 9 per cent in the year to last April, according to an employers' survey.

Some of the average increase is attributable to individual authorities' discretion. Employers' leaders will therefore be able to use the figures to counter the Government's case that it is the centralised nature of pay determination in local government that causes high settlements.

The survey, conducted by the Local Authorities Conditions of Service Advisory Board, shows the pay of 488 council chief executives rose by an average 9.2 per cent over the year.

The salaries of 3,357 chief officers increased by an average 8.8 per cent and those of 2,354 deputy chief officers by 8.3 per cent. The rises compare with pay settlements of 5.6 per cent and 6 per cent in 1985 and 1986 respectively for 600,000 other council white-collar staff.

Since April, chief executives have accepted a further 5.5 per cent basic increase, coupled with a comparability review of similar jobs in the private sector, and chief officers and

Unqualified teachers offered premium salary

By Our Labour Correspondent

THE London Borough of Croydon is responding to the shortage of science teachers by offering premium salaries to graduates without teaching qualifications.

The move, which is likely to draw an angry response from the teachers' unions, will provide further ammunition for the Government's argument for better pay incentives to attract teachers in specialist fields.

Croydon has received about 150 responses to an advertisement in the New Scientist magazine offering salaries by agreement to recruits prepared to move from industry into teaching.

When the authority advertised for science teachers in the educational press, it says it received no inquiries. Mr Donald Naismith, Croydon's education director, said yesterday the borough was offering starting salaries above the entry grades in the national Burnham teachers' pay scale. Recruits would have in-service training.

Mr Naismith said the response to the recruitment initiative proved the Government's case for higher incentives for shortage-subject teachers

APPOINTMENTS

Chief executive of Nestle

Mr Frank Edwards, managing director of Findus, becomes the new managing director and chief executive of NESTLE COMPANY. He will succeed Mr R. A. Wilson, who will continue to be chairman of Nestlé Holdings (UK).

OCTOPUS PUBLISHING GROUP has appointed Mr David Blunt as a director from January 1. He will initially be responsible for the Hamlyn Publishing Group and Brimms Books. He rejoins from William Collins where he has been group managing director—publishing.

Mr Terry Shrimpton has been appointed to the newly-created post of national sales manager for the UK industrial division of PRUDENTIAL ASSURANCE. Mr Shrimpton, who joins on January 1, was regional manager (South) for Rank Xerox.

become deputy managing director, sales and marketing.

Mr Don Anderson has been appointed regional director of NATIONAL WESTMINSTER BANK'S outer London region. Mr Anderson, who succeeds Mr Andrew Hirst on his retirement, has been deputy regional director since 1985.

BROWN, SHIPLEY & CO has appointed Mr Charles Halsey group financial controller.

Mr Brian Gifford, managing director of DATAPOINT (UK), has been promoted to regional vice president.

Mr Simon Barrow is to become chief executive of CHARLES BARKER HUMAN RESOURCES early in 1987, succeeding Mr Roddy Bradshaw who is retiring, but who will remain a consultant. Mr Barrow is currently deputy chairman of Ayer Barker, the group's consumer advertising agency and will remain a director.

Mr Don Anderson has been appointed regional director of NATIONAL WESTMINSTER BANK'S outer London region. Mr Anderson, who succeeds Mr Andrew Hirst on his retirement, has been deputy regional director since 1985.

SALOMON BROTHERS INC has named Mr C. Daniel Tyree as head of international corporate finance. He will be moving to the London affiliate, Salomon Brothers International on January 1. Mr John G. Brian, managing director, will continue to head European corporate finance at Salomon Brothers International. Mr Tyree is currently a managing director in the merger and acquisitions group in Salomon Brothers' New York office.

Mr Norman Watkinson has been appointed director of finance and administration for MANCHESTER AIRPORT and will take up his post in January. He replaces Mr Roger Heworth who has retired.

AQUASCUTUM GROUP has appointed Mr Stuart D. Alexander to the post of group managing director from March 1. He has joined the board. Mr Hollander has been senior vice president of Kurt Salmon Associates and managing director of its European division. He was a director of Vantona Vivaldi and chief executive of its uniform division. Mr Michael M. Walter, group marketing director, will

GLARSON PUCKLE GROUP, member of the Puckle group, has acquired Bradford brokers, W. Dalrymple and Son, which has merged with Clarkson Puckle. Mr Geoffrey Hirst is appointed a director, and Mr David Dalrymple an associate director of that company.

Mr Norman Watkinson has been appointed director of finance and administration for MANCHESTER AIRPORT and will take up his post in January. He replaces Mr Roger Heworth who has retired.

FUJI BANK has appointed Mr K. Inai as chief representative in Manchester. His deputy is Mr Stuart Slater. Fuji Bank is the first Japanese bank to open such a representative office in Manchester.

Mr Marshall Sir Eric Dunn has been appointed a non-

Perhaps the bravest man I ever knew... and now, he cannot bear to turn a corner. EC-SERVICES MENTAL WELFARE SOCIETY

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Saturday December 13 1986

SMALL SHAREHOLDERS

After Sid, the doubts set in

By Nikki Taft and Richard Tomkins

Two nations of rentiers

THE DOLLAR and sterling have both been quite strong in the past few days, after a period of intense weakness; but the most plausible explanation seems to stand logic on its head. The dollar has recovered because private capital is flowing in, while the pound has benefited from the fact that capital has been flowing out.

Thanks to the combined effect of North Sea oil and the abolition of exchange controls in 1979, the British private sector has been able to acquire enormous net assets overseas — the biggest in the world, per head of the population. Japan's private sector claims are somewhat bigger in total, and still growing rapidly.

It is the income from these investments which has boosted Britain's invisible current account surplus from a little over £5bn last year to an estimated £8.5bn this year and according to City projections this flow will continue growing, reaching perhaps £14bn before 1990.

Underlying strength It is this capital outflow which has kept sterling so weak, and it is the need to attract foreign capital — mainly short-term banking money — to finance part of it which has created the enormous gap between UK and overseas interest rates. Part of Britain's foreign capital, in short, is being financed on a very expensive mortgage.

Looking ahead, the prospect for sterling looks substantially stronger. The current rate of consumer borrowing is clearly unsustainable, and it is con-

NEVER made any estimates of how many people would apply for shares in British Gas, said Energy Secretary Peter Walker last week as he faced up to the fact that the number of applications was falling somewhat short of expectations.

Well, British Gas's shares made a highly satisfactory debut on the stock market this week, and in no sense could the issue be described as a flop. Yet the lower key than expected response from the British public inevitably poses the question: Is the Government's wider share ownership bandwagon running out of steam?

Market research on levels of interest in flotations before and after the price is announced reinforces this point. In the British Telecom flotation, the "certain to buy" figure leapt from 1.2m to 3.3m in the wake of favourable press comment over the pricing, and in the TSB flotation the figure jumped from 2.6m to 4.8m. The British Gas figure moved only from around 5m to 6m, and press comment at the time suggested the issue was not going to be another give-away.

Other theories have included the possibility that people were not sufficiently aware of the deadline for applications, or that people were misled into thinking that more than one application per household would constitute a multiple application and bring the threat of prosecution. The true explanation, according to real-life Sids, is simpler.

I suppose, to be honest, I'm motivated almost entirely by greed when it comes to these flotations, says Edward Smith, a 33-year-old warehouse manager in Birmingham. I went for Laura Ashley and TSB because everyone was talking about how much money there was to be made from them. I was going to go for British Gas, too, but towards the end, a lot of people on the television and in the newspapers were saying it was unlikely to yield a big profit, so I decided to steer clear.



tant, for whom this was a first share investment, adds: "I'm still kicking myself for not having applied for British Telecom and TSB. If the shares go to a 20 or 30 per cent premium, it will make a nice Christmas bonus."

The point is not that there is something wrong with buying on the basis of price, but the extent to which the notion of windfall profits has become a prime motive does create doubt about how far the Government is succeeding in changing fundamental attitudes towards share ownership.

Just two years ago, in late 1984, the total number of private shareholders was put at around 2.4m, of whom perhaps 750,000 (on Inland Revenue estimates) were accounted for by employee share schemes. But the success of British Telecom's stock market launch in November produced a share register comprising a hefty 2.1m individuals. On the basis of the usual surveys of 1,000-2,000 people, Telecom is reckoned to have added around 1.6m first-timers to the share-owning democracy.

This autumn, the TSB started life as a quoted company by making 2.1m share allocations. The figure includes an element of double-counting for priority applicants who also picked up some non-priority shares, but the institutional numbers were small. In total, the TSB may have added another 2m newcomers.

Laura Ashley, Hilldown, Wellcome and so on — are estimated to have pulled in a further 300,000. To reach the 7m total, it is necessary to add only the additional 750,000 individuals the Inland Revenue estimates to be in employee share schemes.

One problem is that this total does not seem to take much account of the subsequent shake-out in the larger registers. British Telecom saw the number of its private shareholders shrink rapidly to 1.68m in the first six months, and then drop more gently to 1.57m over the following year.

The TSB, meanwhile, is still waiting for its register to settle; initial internal estimates suggest that it is already down to around 2m-2.5m individuals — a drop of some 1m-1m people since launch day.

Even so, 2.4m to 2.6m in two years is no mean feat — whatever the issue pricing or advertising means that achieved it. More questionable, is where "wider shareownership" goes from here. The key point is that most British shareholders have stakes

less than three companies. According to research by Dewe Rogerson, advisers on the British Telecom, TSB and British Gas floats, the number of people holding one company's shares only post-TSB totalled 4.1m and the number holding two a further 1.1m. The more committed — those with shares in over six companies — totalled just 800,000. Little changed from 1984. A similar breakdown though, with proportionately smaller figures, was produced by the Stock Exchange's own survey pre-TSB.

On the other hand, research suggests that there is a broadening social base of shareownership; according to the Stock Exchange survey, some 58 per cent of shareholders belonged to the C, D, and E socio-economic groups. The more recent Dewe Rogerson figures put 65 per cent of shareholders in the C, D, and E classes, compared with just 46 per cent in 1983.

As Stock Exchange chairman Sir Nicholas Goodison commented in this year's Templeton lecture, "Let us not instantly jump for joy at these crude figures. It is certainly pleasing that the total number of people who own shares directly has risen... but we have a very, very long way to go before we can say that shareholding has become a habit."

Quite where the forces to encourage that habit will now

come from is unclear. The most obvious answer is future privatisations. Yet with the Government clearly sensitive to the charge of underpricing and given the nature of the next few candidates, the auguries for significant expansion from this source do not look good.

Next to come is British Airways; a company with a bumpy profits record in a high-risk business. As much as 20 per cent of the stock may be sold to overseas investors and although they deny that they have a target audience in mind, the advisers do seem to be looking towards those ABCI investors who are "natural equity holders". If, of course, the price makes over-ample allowance for BA's underlying business fluctuations, Sid may bounce back in; but the marketing is unlikely to be out to catch him. Much the same can be said for British Airways Authority and Rolls-Royce.

Longer-term, the only impending Government issue which looked likely to approach the same league as BT or British Gas was the water authorities, which, if sold together, could raise anything from £5bn to £7bn. That sale, however, has now been switched until well after the next election.

Short-term, at least, then, expansion of wider share ownership may need to look elsewhere. Six months ago, their

eyes might have alighted on the new Personal Equity Plans which are due to come on sale in January. In theory, the idea of offering tax breaks on share-based portfolios of up to £3,000 looked just the boost share-owning needed. In practice, the mass appeal of PEP's looks doubtful in order to keep costs down, most plans will incorporate a substantial unit trust element and give plan managers discretion over the equity content. Sid has responded cautiously to a decade of unit trust and investment advertising — in 1970 the number of unit trust holder accounts was 2.4m, today it is 3.2m — while bull markets were in full flight; is he likely to be swayed by a glorified form of these now?

Prospective PEP managers themselves, however, are anything but disheartened. Fidelity, which has already embarked on a hefty advertising campaign reports some 30,000 inquiries the end of November. Tentative estimates 60,000-80,000 plans in force by end-1987, and says a "significant minority" of those responding to the advertisements have never invested before. And it's surely worth noting that even the Budget arithmetic assumed just 3m PEP investors in year one. Given that a good chunk of that will represent those "high net worth" investors, the actual expansion of Britain's shareholder base may be very limited.

So does that mean wide share ownership, like skateboards, has come and gone leaving a heap of share certificates festering quietly at the bottom of the nation's cupboards? Not quite. Perhaps the best testimony comes from the larger regional stockbroking firms — like Stancliffe or Henry Cooke Lumsden — which claim that new private clients are currently coming on to the books at a rate of about 40 a day.

It's quietly building, comments one partner, "but I'd find it difficult to put my hand on my heart and say privatisations are why we're busier than we've ever been. The inheritance of houses is as powerful a motor as anything." And there the key may rest. Share ownership — with its attendant risks and rewards — is largely a function of affluence. Sid may be wooed by the odd no-risk punt, but he is unlikely to adopt the habit until the mortgage is paid and he has a spare bob or two in the building society.

It is a telling point that around half the people who said they were not interested in British Gas gave lack of money as a key reason. That compared with only 29 per cent who said they had no interest in owning shares and around 18 per cent who expressed renationalisation fears. The final determinant, of course, is the market itself. Where that goes is anyone's guess. But if the steam has evaporated from the great bull trend, perhaps a slowdown in wider share ownership is no bad thing.

SHARE OWNERS

Table with columns: What they own, Who does the buying, Apr-Sep 1983, Oct 1986. Rows include: How many companies do you currently own shares in?, Approx No. of people, SEX, AGE, CLASS AB, C1, C2, DE.

AS FRENCH student leaders gathered on Thursday night in the crowded lecture hall at Jussieu university in central Paris for what proved to be the final meeting of their national co-ordinating committee they were awestruck at what they had achieved.

Amongst the 14 members of the executive committee which has steered the protest movement — they sat facing the student body through the long night of Thursday like a judicial panel — there was recognition that the movement's success had been due to an extraordinary mixture of tenacity and cool headedness on the part of the students and blunders by government. It is a combination which will not necessarily recur in future.

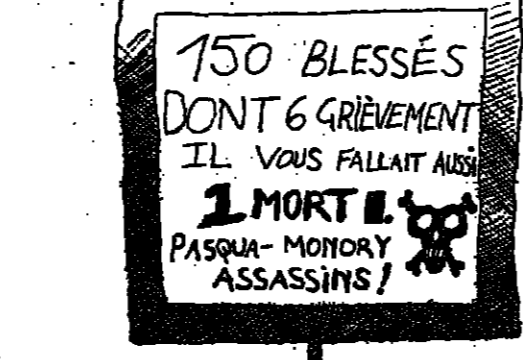
People in the News

The French students

Savouring a rare taste of power

By David Housego

national co-ordinating committee was at Caen in early November with the Paris universities sending only observers. Although they account for a third of student numbers, the Paris universities did not really enter the movement until the calling of an "Estates General" representing all the universities at Jussieu on November 22.



haired, with sunken cheeks and piercing eyes, he is the oldest member of the executive committee and has long been active in the Paris underworld of Trotskyite and non-Communist splinter groups of the extreme left. His effect on Mr Monory was like a red rag to a bull. The Minister gave a blunt no to student demands to withdraw the bill.

from Dauphine university in Paris where more rigorous selection is already practised and which was one of the last to join the movement, is not a union member and says that this was the first time he had been involved in student militancy.

Even the leaders were surprised at the speed at which the movement gathered momentum. Swelling its support were a host of factors — worries over jobs and qualifications, opposition to a system that seemed likely to make access to university more dependent on family and financial means, and the high-handed way the government sought to impose the bill.

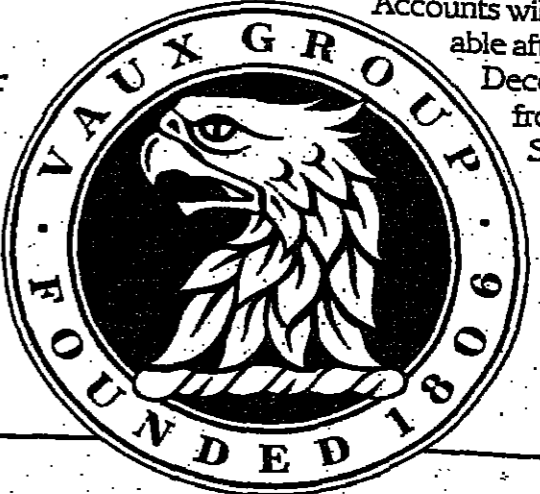
The movement might none the less have floundered if Mr Monory had been less blunt in his initial refusal to withdraw the bill, and if that had not been followed by unnecessary violence by the riot police. But it was the death of a French student in Saturday night's rioting that really changed the atmosphere. "After the death of Malik (Oussemane) there was a distinctive hardening," says Guicharnaud.

While emphasising that the movement is apolitical, all the committee members would probably put themselves on the left. Over half are militants in student unions. By contrast Emmanuel Faux

Record results

18th successive profit increase

- Vaux Group pre-tax profits up 19% to £17.52m.
Final dividend increased by 13%. Annual increases have exceeded 9.7% since 1975.
Improved profits throughout the Group — Breweries up 9%, Hotels up 14% and Wine & Spirits up 35%.
Major £6m refurbishment continues in our tied estate.
Our "Princess Louise" pub in High Holborn is winner of 1986 London Standard Pub of the Year.



VAUX GROUP plc.

SWALLOW HOTELS VAUX AND WARDS BEERS JAMES BELL WINES

MR MAXWELL AND THE EYE

PRIVATE EYE



A SMALL independent fortnightly magazine, devoted to satire and wit, is given false information about a rich and powerful newspaper publisher...

Wonderland" - both printed Maxwell's Mirror Group this week in huge numbers and successfully distributed.

(which came to be associated with Harold Evans's Sunday Times); a burst of sharp, even cruel gossip columns. Later in the sixties, with a largely different cast list and with a different project in mind...

Today, Cook owns 16,000 of the 28,143 shares (other much smaller shareholders include the publisher Anthony Blood (2,400) the TV personality Bernard Braden (103) and the cartoonist Barry Fantoni (100)).

Maxwell's charge that the magazine is finished is completely unfounded. Ingrams says McKay conspires with this because he wants the Eye - of which he remains chairman, and works for three days in every fortnight - to provide him with a comfortable middle

age and retirement." Certainly the received wisdom in Fleet Street, and smarter circles about Private Eye is that it is now, in its own overused idiom, "boring".

But what else reminds us that we can have the instincts of pigs? And is it possible for any paper - "organ" as the Eye would say - to perform that function without itself becoming hateful? The gallery of characters - Lord Gnome, Dear Bill, Lunatic, O'Booze, Glenda - all came out of a group of public school boys, whose development into responsible adulthood was arrested, sitting about every fortnight giggling with each other in a Soho office; but they got thousands sniggering with them, and Hislop, a contributor to the Spitting Images TV series, shows signs of being as good an impresario of the process as Ingrams - though he has introduced the huge innovation of checking stories.

There was every kind of good reason for Robert Maxwell to hate the Eye, especially since it had defamed him; but there is a bad reason for hating it too, and that is because it has been and is outside of the control of the powerful.

John Lloyd

Even dog racing occasionally has its day

THE PARTY of City brokers who spent a night at the dogs this week found that the dog is as elusive as an electronic hare in the lean world of greyhound racing.

owners) in greyhound racing, does not seem to be having much more success in securing a share of the business which, from next year, plans to transmit, by satellite, live televised races to betting shops throughout the country.

It was marvellous during the war," says Ballyrean Bob's trainer Mr George Curtis, who started as a kennel lad in Portsmouth in April 1938. "The tracks used to be packed, all the Canadian and American soldiers were there, on Derby night at White City there would easily be 30,000 in the stands."

The sport suffered a series of body blows culminating in the opening of the betting shops. The first knock came with the 10 per cent tax on the tote imposed by the Government in January, 1948.

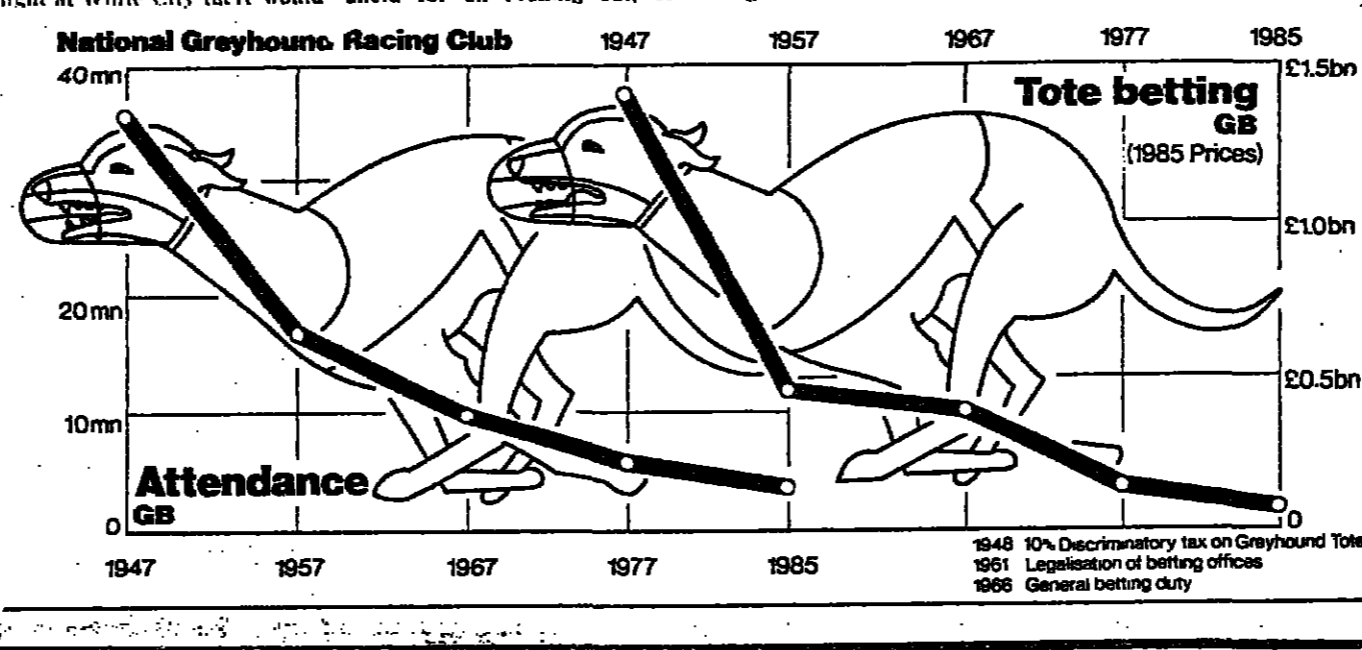
Attendance at the National Greyhound Racing Club has fallen from 40 million in 1947 to 20.5 million in 1985. Tote betting has fallen from £1.5 billion to £0.5 billion.

Bob through his 30th and 31st wins, does not exactly sit up and beg you to come inside. "I love Harringay, but over the years it has been allowed to deteriorate," says Mr Curtis.

There has been a change, especially in the past 10 years, says Mr Curtis. "It used to be a cup of tea and a hot pie and nowhere for the wife to sit. Now you could not just bring a pie in her hand, could you?"

However, a really good dog can be bought for about £8,000 - not much more than the cost of a year's training for a horse. A good greyhound, after rearing and schooling, will start racing at 15 months and continue until the age of 3.

Fiona Thompson



Discriminated against

From Mr D. Field. Sir, Paul Abraham in his article "A Cambridge cry de coeur - passport to discrimination" (December 6) suggests that PhDs discriminate against this country, use often preferred in the rest of Europe and should, in the future, be treated as any other graduate in the employment stakes in this country.

Letters to the Editor

£900 more than the present average rent. This is much the same as the 50% tax relief received by the basic rate taxpayer with a maximum mortgage of £80,000.

Unions and videos

From the Organising Secretary, Union of Communication Workers. Sir, I read with interest the letter from Chris Cossey of the National and Local Government Officers' Association (November 28) which outlined a number of problems associated with the use of distribution of video by trade unions and, while respecting Chris's views, I do not share them.

The poverty debate

From Mr P. Ashton. Sir - There is no basis for Professor Peter Townsend's unsubstantiated claim (December 6) that I have "not for the first time" been "caught out" on my "facts in the debate on poverty".

Universities' performance

From the Director, University of London Careers Advisory Service. Sir - I was intrigued to read Michael Dixon's annual commentary on the latest set of university "first destination" statistics on December 3, and was delighted on this occasion to see the several caveats of which he felt readers should take note when studying his league table of university performance.

ADVERTISEMENT BUILDING SOCIETY INVESTMENT TERMS

Table with columns: Product, Applied rate, Net interest, Minimum balance, Access and other detail. Lists various investment products from Abbey National, Aldermore, and others.

Subsidies all round

From Mr R. Harris. Sir - Mr Bernard Kilroy of Shelter (December 6) says that in aggregate council house subsidies are nil. I would suggest that this only appears to be so because local authority housing accounts are compiled on the basis of historical cost accounting, which assumes that if a house was built for £400 in 1936 it can be replaced for £400 today, and which makes no allowance in calculating interest charges for the rise in capital values which has taken place since the house was built.

Chaos in pensions

From Ellen Gracey. Sir - Mr Wynne Griffith (December 5) draws attention to the attractive prospects of personal pension arrangements being able to offer pension mortgages. There does, however, seem to be some misunderstanding about (1) the relationship between pension funds and mortgages and (2) the operation of a "pension mortgage". They are two separate items.

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Morgan Grenfell spends £49m on US expansion

BY HUGO DIXON

Morgan Grenfell, the financial services group, has agreed to buy C. J. Lawrence and Co., the US securities firm, for \$70m (£49m).

Cyrus Lawrence, which is owned by its staff, employs 220 people and is based in New York. It is a member of the New York Stock Exchange and a number of other US exchanges.

Mr John Holmes, the managing director of Morgan Grenfell Securities, said the acquisition of Cyrus Lawrence would give Morgan Grenfell a presence in the US securities markets.

Yule Catto launches £17.3m bid for Barrow

By Clay Harris

Yule Catto took another step away from the plantation yesterday, launching an unsolicited £17.3m offer for Barrow Hepburn, the chemicals and engineering group.

A successful bid would give Yule Catto "further shelter from the hurly-burly of commodities," Mr Alex Walker, chief executive, said yesterday.

Barrow has moved steadily away from its origins as a leather tanner, although it still supplies shoe components and manufactures tanning machinery.

Difficult year leaves Dubilier down by 23%

BY ALICE RAWTHORN

Dubilier, the manufacturer of electronic connectors and components, yesterday announced a 23 per cent fall in pre-tax profits to £5.02m after a difficult year in which the company was beset by adverse exchange rates and difficult market conditions.

The company has written down the value of its holding in IBS. This, together with the cost of divestment and rationalisation is expressed as an extraordinary debit of £3.99m (£303,000).

Administrative expenses to £3.93m (£5.91m). Among the divisions Greenpar Connectors faced a sluggish domestic market in the UK but progressed with exports.

BTR yesterday denounced Pilkington's defence against its £1.1bn bid as "an exercise in complacency."

comment Dubilier has had more than its fair share of problems in the last year or so. Predictable problems, like lacklustre markets and delayed orders, were compounded by the unexpected, fire and flood.

BTR shares closed unchanged at 62 1/2p. Its offer values Pilkington shares at 54 1/2p against yesterday's close of 62 1/2p, up 2p.

Hunter Saphir in £24m deal

BY NIKKI TAIT

Hunter Saphir, the USM-quoted fresh produce distribution group, is buying four food businesses from commodity trading group, S & W Berisford, for a total consideration of around £24m.

selling under own-labels as well as Millstone and Eastern Star, and Matthew Walker, which makes plum puddings and cakes.

Yule Catto said that its financial strength and global distribution network could create new markets for Barrow's products.

BTR attacks Pilkington defence

BY CLAY HARRIS

BTR yesterday denounced Pilkington's defence against its £1.1bn bid as "an exercise in complacency."

pointed to Pilkington's larger rivals, PPC and Gobein of France.

advisers, described the letter last night as "fairly standard" adding: "This company is far from complacent, although at the moment it is confident which can be mistaken for the same thing."

Greene King exceeds £5m

BY PHILIP COGGAN

Greene King, the regional brewer, yesterday announced an increase in interim pre-tax profits to £5.04m (£4.98m) despite a slight decline in beer sales.

made a loss. There is an extraordinary debit of £603,000 relating to costs at Nationwide in these results.

last year's second half figure contained an extra week of trading.

Adelaide buys more B. Circle

BY NIKKI TAIT

Adelaide Steamship has increased its stake in Blue Circle Industries, the building materials group, from 7.9 per cent to 8.7 per cent.

Bristol Post interim advance

BY NIKKI TAIT

Bristol Evening Post increased its pre-tax profits by 18.9 per cent from £1.91m to £2.21m in the six months ended September 30, 1986 from a 7.5 per cent rise in turnover from £21.65m to £23.27m.

since April 1 1986, 265,000 shares had been sold, which after provision for taxation gave a profit attributable to shareholders of approximately £570,000.

the full year, existing signs as to levels of profitability continued to be encouraging.

Raine increases its stake in Tilbury Group to 23%

BY CLAY HARRIS

Raine Industries, the housebuilder and property developer, is to increase its stake in Tilbury Group to 23.3 per cent with the £8.8m purchase of shares held by Govett Strategic Investment Trust.

this would increase pre-tax profits by 53 per cent, net assets by 70 per cent and net assets per share by 35 per cent.

MIL Research placing

BY RICHARD TOMKINS

MIL Research, the market research group which is seeking a full listing, yesterday announced the terms of its flotation.

Reliant cuts loss to £171,000

BY NIKKI TAIT

Substantially reduced pre-tax losses of £171,000 against £640,000 were reported by Reliant Motor Vehicle Manufacturer for the year to September 30.

Ward White lifts LCP stake to 41%

BY NIKKI TAIT

Ward White, the acquisitive retail group, continues its race towards control of LCP Holdings, the Midlands-based company for which it is currently making a £170m hostile bid.

Having increased its stake in LCP from 8 per cent to 29 per cent on Thursday, Ward White and its associates bought in the market again yesterday, raising its stake to 41 per cent by the close.

Fuller Smith optimistic as profits rise 9.5%

BY PHILIP COGGAN

Fuller Smith & Turner, the London-based and USM-quoted brewer, announced pre-tax profits 9.5 per cent higher at £2.44m, against £2.23m for the half year to September 28 1986.

per cent of the total. Most of Fuller's pubs are in West London and were thus unaffected by the decline in tourism.

Laird in £11m US acquisition

BY NIKKI TAIT

Laird Group, the diversified engineering concern, is adding printing and packaging to its range of activities - via the acquisition of North Carolina-based Etta Packaging for \$16m (£11.2m) cash.

Piccadilly Radio

BY NIKKI TAIT

Piccadilly Radio has amended its full-year results to September 30, 1986, following the decision of the Independent Broadcasting Authority on November 4 to reduce primary rental payable by independent local radio stations by 26 per cent and backdate this to April 1, 1986.

Lovell

BY NIKKI TAIT

G. F. Lovell, manufacturers of sugar and chocolate confectionery, fell back into the red again in the six months to October 4.

LONDON RECENT ISSUES

Table with columns: Issue Price, Annual Paid up, Latest Reported, 1986 High, Low, Stock, Closing Price, % chg, Div, Net, Time/Gross, P.E. Includes entries for Bristol Post, City Site, Dubilier, Electronic Data, Fuller & Smith, Greene King, Investment Co Int, etc.

FIXED INTEREST STOCKS

Table with columns: Issue Price, Annual Paid up, Latest Reported, 1986 High, Low, Stock, Closing Price, % chg. Includes entries for Emsco Water, Hammer Drain, etc.

"RIGHTS" OFFERS

Table with columns: Issue Price, Annual Paid up, Latest Reported, 1986 High, Low, Stock, Closing Price, % chg. Includes entries for Standard Leasing, etc.

SW Wood drops into red

S. W. Wood, the non-ferrous metal merchant and processor, slipped into the red when it turned in a pre-tax loss of £157,000 in the six months to September 30 1986.

The directors said that there had been a decline in gross profit earned and expenses had increased.

Laird says it is now planning operations probably by acquisition in the US and take advantage of Etta's strong management.

totalled \$2.7m on sales of \$15.1m. Net assets were \$5m. No part of the deal is profit-related.

Turnover was up by 3 per cent from £1.74m to £1.81m, but after exceptional costs of £58,000 and selective financial assistance of £33,000 the pre-tax loss emerged at £88,000 (£4,000 profit).

Revenue rose 11% to £11.4m, but after exceptional costs of £58,000 and selective financial assistance of £33,000 the pre-tax loss emerged at £88,000 (£4,000 profit).

B&C pays £0.45m to Exco directors

INTL COMPANIES and FINANCE

Tim Dickson on the painful decisions facing the Belgian steel group

Cockerill struggles to survive

The future of Mr Raymond Levy, the man widely tipped to take over as next chairman of the French car company Renault, was still officially in the balance last night. But expectations in Brussels remained high that he will soon quit the top job at Belgium's heavily loss-making steel group Cockerill Sambre for what amounts to the biggest challenge in French industry.

RECENT PERFORMANCE table with columns for Turnover, Net loss, and Profit/Forecast for years 1981-1986.

Poclair launches restructuring programme

BY GEORGE GRAHAM IN PARIS. POCLAIR, the French mechanical digger producer, is to carry out a radical financial restructuring programme in a bid to stem its continued heavy losses.

Thyssen to maintain dividend

THYSSEN, West Germany's biggest steel engineering group, said yesterday it would pay an unchanged DM 5 dividend for the year ended September 1986 despite an 8 per cent fall in worldwide turnover to DM 32bn (\$15.8bn).

Boost for Murdoch media bid

THE A\$1.6bn bid by Mr Rupert Murdoch for the Melbourne-based Herald and Weekly Times group received a surprise boost yesterday when a key 11.9 per cent stake in the target company was sold to the Australian publisher's News Corporation.

Writs out against Malaysian financier

BRUNEI FILED writs in Singapore yesterday against Tan Sri Khoo Teck Piat, Malaysian financier, and his 14 companies in the island republic for loans they guaranteed from the now-closed National Bank of Brunei (NBBB).

Landis plans short-time working as profits dip

LANDIS AND GYR, the Swiss electrical engineering concern, reports lower profits for last year and announces plans to go over to short time at its headquarters plant in Zug.

COMMODITIES and AGRICULTURE

WEEKLY PRICE CHANGES

Table showing weekly price changes for various commodities like Metals, Grains, Spices, Oils, and Other Commodities.

US MARKETS

TRADE SELLING in coffee at 141c and underlying trade and roaster support at 139.50c confined prices to a tight range, leaving the market to locals. The International Coffee Organisation executive board decision not to call a council body into session was expected, but nevertheless re-emphasised the absence of a price floor in the market.

Table showing US market prices for Aluminum, Copper, Lead, Nickel, Tin, Zinc, and Soybean Meal.

Table showing US market prices for Wheat, Corn, Soybean Oil, and Soybean Meal.

Table showing US market prices for Cotton, Rubber, and Sugar.

Table showing US market prices for Potatoes, Grains, and Gas Oil Futures.

Table showing US market prices for Freight Futures and Soybean Meal.

Table showing US market prices for Wheat, Barley, and Corn.

Table showing US market prices for Soybean Meal and Soybean Oil.

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Table showing US market prices for Wheat, Barley, and Corn.

British & Commonwealth... directors

Mr Matthews will receive... directors

Mr Matthews will receive... directors

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DEALINGS

Details of business done shows have been taken with consent from the London Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Service. Details otherwise indicated, denominations are 25p and prices are in pence.

The prices are those at which the business was done in the 24 hours up to 1.30 pm on Thursday and are settled through the Stock Exchange's clearing system. They are not in order of execution but in ascending order which denotes the highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date at special prices. B bargains done the previous day. A bargains done with non-number of executed in overseas markets.

CORPORATION & COUNTY

London County Council 1982-83 (1912) Greater London Council 1982-83 (1912) ...

UK PUBLIC BONDS

1982-83 5.5% 100p (1912) 1983-84 6.0% 100p (1912) ...

FOREIGN STOCKS

Alcoa (USA) 100p 1982-83 (1912) ...

STERLING ISSUES BY OVERSEAS BORROWERS

Alcoa (USA) 12.5% 200p 1982 (1912) ...

BANKS DISCOUNT

Bank of Ireland 7.0% 1986-91 (1912) ...

BREWERIES

Alfred Watson 5.0% 100p (1912) ...

FINANCIAL TRUSTS

Alfred Watson 5.0% 100p (1912) ...

WATERWORKS

Alfred Watson 5.0% 100p (1912) ...

UNLISTED SECURITIES MARKET

Alfred Watson 5.0% 100p (1912) ...

SPECIAL LIST

Alfred Watson 5.0% 100p (1912) ...

RULE 535 (2)

Alfred Watson 5.0% 100p (1912) ...

RULE 535 (3)

Alfred Watson 5.0% 100p (1912) ...

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RULE 535 (3)

Alfred Watson 5.0% 100p (1912) ...

SHIPPING

Alfred Watson 5.0% 100p (1912) ...

UTILITIES

Alfred Watson 5.0% 100p (1912) ...

RULE 534 (4) (a)

Alfred Watson 5.0% 100p (1912) ...

List

Alfred Watson 5.0% 100p (1912) ...

TRADING VOLUME IN MAJOR STOCKS

Table with columns: Stock, Volume, Day's change, Closing price, Day's change.

LEADERS AND LAGGARDS

Table with columns: Stock, Percentage change, High, Low.

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries.

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Index, High, Low, 1986, 1985.

FIXED INTEREST

Table with columns: PRICE INDICES, British Government, 5 years, 10 years, etc.

WEEKEND FT REPORT. The Financial Times proposes to publish a report on the above on SATURDAY FEBRUARY 21 1987.

TRADING VOLUME IN MAJOR STOCKS. The following is based on trading volume for Alpha Securities dealt through the SEAG system yesterday until 6 pm.

LEADERS AND LAGGARDS. Percentage changes since December 31 1985 based on Thursday, December 11 1986.

FIXED INTEREST. Table showing interest rates for various terms and currencies.

Johnnie

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IN MAJOR STOCKS... Alpha securities desk through the usual channels

ND LAGGARDS... December 31 1986... 1986

es and the Faculty of... and Laws Index

Table with multiple columns of stock prices and market data, including various indices and individual stock prices.

Table titled 'UNIT TRUSTS' listing various investment funds, their managers, and performance metrics.

Table titled 'UNIT TRUSTS' continuing the list of investment funds and their details.

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OFFICE EQUIPMENT SURVEYS 1987. The Financial Times is proposing to publish the following surveys on the dates listed below: Friday 20 February, Office Design and Furniture; Monday 23 February, Electronics in Printing; DTBA April, Information Management; Wednesday 2 April, Telecommunications; Monday 8 June, Refurbishment; Tuesday 1 September, Office Equipment; Monday 19 October, Telecommunications.

EUROPEAN OPTIONS EXCHANGE. Table showing option prices for various European stocks, including columns for series, date, and price.

BANK RETURN. Table showing banking department performance metrics for December 30, 1986, including liabilities, assets, and equity.

Table titled 'UNIT TRUSTS' continuing the list of investment funds and their details.

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INSURANCES. A section listing various insurance companies and their services.

AUTHORISED UNIT TRUST & INSURANCES

Main table containing financial data for various insurance and unit trust companies, including names, codes, and numerical values.

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INDUSTRIALS - Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, price change, and volume.

LEISURE - Continued

Table of leisure stocks including companies like British Airways, British Telecom, and British Gas.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Leyland and British Aerospace.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like News International and Newsprint.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including companies like Newsprint and Newsprint.

INSURANCE

Table of insurance stocks including companies like British Insurance and British Insurance.

PROPERTY - Continued

Table of property stocks including companies like British Land and British Land.

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FINANCE, LAND - Cont.

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HOPE
SPAIN'S SHERRY
GONZALEZ BYASS

Bryant Holdings plc
Homes Property Construction
021-704 5111

Tax plan aims at prompt payment

BY HUGO DIXON
PLANS FOR tax-system changes that would encourage companies to pay corporation tax on time and include all relevant pay in their Pay-As-You-Earn returns, were announced yesterday.

The proposals form part of the Government's response to the Keith Committee Report on streamlining tax enforcement, published in a series of volumes in 1983 and 1984. They are split out in an Inland Revenue consultative document published yesterday on the Keith Report's findings on income tax, capital gains tax and corporation tax.

At the same time, Mr Ian Stewart, Economic Secretary to the Treasury, said in a Commons written answer that so many changes were envisaged that it would not be possible to implement them all in one Finance Act.

The Government was therefore "considering giving priority to those clauses which would streamline the administration of corporation tax and improve the effectiveness of the PAYE and sub-contractor deduction schemes," he said.

On corporation tax, the Government proposes that companies should pay what they think is due by a fixed date, whether or not they have been assessed by the Inland Revenue. If it is later found that they have overpaid, they will be reimbursed with interest; if they underpaid, they will have to pay what is owed plus interest.

The aim is to eliminate the present system under which the Inland Revenue often has to make estimated assessments. The change is not expected to come into effect until the early 1990s when the Inland Revenue's new computer system should be in place.

On PAYE and the sub-contractor deduction scheme, interest would be charged if tax payments were made late because companies had failed to operate them properly.

The Government has asked for comments on the proposals by February 13, in time for next year's Finance Bill. Comments on the other proposals in the consultative document are due by October 31 next year.

*The Inland Revenue and the Taxpayer; HMSO: £5.50.

UK inflation up to 3.5% in wake of mortgage rise

BY JANET BUSH
BRITAIN'S INFLATION rate rose sharply in November to 3.5 per cent, the highest annual figure since March, after holding at 3 per cent for the previous two months.

Employment Department officials said yesterday that the retail prices index rose 0.8 per cent last month, making it the largest monthly increase since April, when the index rose by a full 1 per cent.

Lord Young, Employment Secretary, said November's rise had been expected because of the increase in mortgage rates which affected most borrowers from November 1. "The low inflation achieved over the last few months is having the beneficial effects we expected," he said.

He pointed to signs that pay settlements were coming down and unit wage costs were rising more slowly.

Mr Ian Wrigglesworth, economic and industrial spokesman for the Social Democratic Party, commented: "Britain now has higher inflation than all its European competitors except Italy. It is further evidence of the long-term damage which is being done by the Government's pre-emption boom, which will have to be stopped in the second half of 1987.

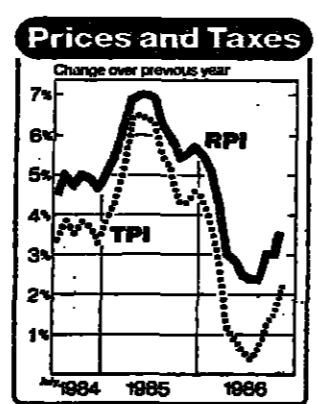
The increase in mortgage rates from about 11 per cent to about 12 1/2 per cent accounted for about 0.6 per cent of November's rise, officials said. The prices of durable household goods, cigarettes and motor insurance premiums also rose.

In December, modest increases in both seasonal and non-seasonal food and further rises in cigarette prices and insurance premiums are expected. However, those should be offset by a fall in electricity prices and Christmas discounts on alcohol bought at off-licences.

In the Autumn Statement, the Chancellor forecast an average annual inflation rate of 3 1/2 per cent in the final quarter of this year, rising to 3 per cent in the fourth quarter of 1987.

The Employment Department's statistics suggest that it would take only a modest rise in inflation during December to exceed the Chancellor's forecast.

The RPI stood at 391.7 in November (Jan 1974=100), compared with 388.4 a month earlier. The Tax and Price Index, which measures the impact on incomes of tax as well as price changes stood at 186.3 (Jan 1973=100), 2.2 per cent higher than a year earlier. October's TPI was 194.3.



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Task force to consider changes to US laws on insider trading

BY ANATOLE KALETSKI IN NEW YORK
THE US Government is setting up a task force to review US laws on insider trading and junk, or high-yield and low quality, bonds in the aftermath of the Boesky scandal.

Mr Larry Speakes, White House spokesman, said yesterday that the task force, to be headed by Mr George Condit, US Treasury Under-Secretary for Domestic Finance, would consider changing legislation as well as strengthening enforcement tools and report to President Ronald Reagan in January.

Mr Speakes said the panel would make "absolutely certain that the Securities and Exchange Commission (SEC) had all the tools and funds it needs for strong regulation of the stock market."

He added that it might also recommend legislation to deal with junk bonds and things like that. "However, lobbyists for the investment banking companies in Washington consider that restrictions on takers and junk bonds are less likely to emerge from the review than initiatives on insider trading standards and enforcement.

The White House announcement follows official disclosures about the startling scale of the trading operation of Mr Ian Boesky, and renewed outcry from Congress about the alleged leniency of the treatment accorded to the disgraced financier.

The SEC disclosed in congressional testimony that it had permitted Mr Boesky to sell far more securities than had previously been estimated before making a public announcement about the insider trading case against him. As a result, Mr Boesky and his investment partners were spared huge losses on their portfolio of stocks, the prices of which fell sharply when the SEC case was made public.

Although the Boesky partnership sold securities sufficient to reduce its liabilities by \$1.32bn (£925m) before the announcement of his offences, the SEC told the House of Representatives energy and commerce oversight subcommittee. Previously, this portfolio liquidation—already dubbed on Wall Street—the biggest insider coup of Mr Boesky's career—was believed

to have involved only \$440m worth of securities.

There was indignation in Wall Street and Washington about the extent of the sales reported by the SEC. Mr Ron Wyden, a Democrat member of the congressional panel conducting the hearings, said it was "impossible to conceive of a reason for letting someone liquidate stocks who was known to be engaging in such illegal activities."

Some investment managers whose funds had lost heavily in the wake of the Boesky scandal noted that Mr Boesky's gains from being allowed to liquidate his portfolio in an orderly fashion may well have exceeded the total of \$100m which Mr Boesky agreed to pay over the affair.

Although it remains doubtful whether the task force will recommend significant legislative changes, the balance of opinion seems to be shifting towards action of some kind. When Mr James Baker, the Treasury Secretary, was asked at a dinner in Chicago on Thursday night if changes in the insider trading law would be needed, he replied: "You got that right."

ABF in £148m share issue

BY DAVID GOODHART
ASSOCIATED British Foods, the UK food manufacturer controlled by the Canadian Weston family, is raising £148m through the issue of 48.5m shares with the primary aim of reducing the 70 per cent family stake for tax purposes.

Although ABF is publicly quoted, it is classified as a "close" company because less than 35 per cent of its share capital is in public hands. In such a company, investment income that is not distributed to shareholders is liable to be taxed at punitive rates.

ABF's tax problem follows recent divestments—including that of Fine Fare—resulting in a cash mountain of £900m which is expected to yield about £70m in investment income this year.

The company has no wish to pay out all that in dividends but if it remained a close company it would have to pay tax on it at 28 per cent.

By issuing 48.5m shares—about 11 per cent of the enlarged share capital—the family interests will be skimmed to about 62 per cent, Mr Garry Weston, the chairman, said the family stake had been "embarrassingly high" and there were no plans to return to close status.

ABF believes that the dilution has the advantage of making its shares more attractive to institutions as there will be a more liquid market to "increase the flexibility which the company will have in its long-term investment policy."

It has been expected to make an important bid in the UK or the US for several months and the proceeds of the share issue could be used for that. However, some City analysts believe that the tax move could indicate further delay because if a bid was planned before the March 1987 year-end the placing might not have been necessary.

Mr Weston said the company had been looking for an acquisition for 18 months and had recently made two offers—one in the UK and one in the US—but both had been turned down and ABF was not prepared to increase its price.

The shares were issued to the market by County Securities through a US-style "bought deal" in which a securities house bids for the whole issue and then takes responsibility for selling it. The issue price of 31p was at a discount of less than 5 per cent to the market, meaning that no "callbacks" had to be offered to existing shareholders.

County, which received a fee of about £1.8m, said that it had won the "bought deal" in competitive tender.

Mr David Cardale, a director of County, said: "This is obviously a feather in our cap but it also shows that that it is not just the Americans who are prepared to put money up front."

Although County took the risk it did not actually take the shares on to its books. This allowed the institutions to avoid paying stamp duty, as they would then be first buyers of the issue.

The share price fell 10p to 31p.

THE LEX COLUMN

Even more grist to the mill

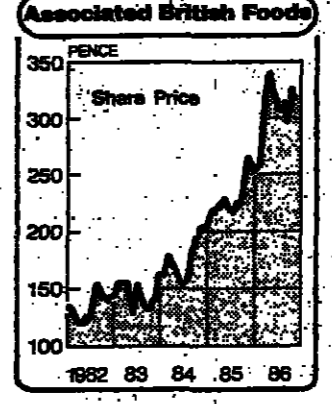
The taxman seems even less patient with Mr Garry Weston than are AB Foods' outside shareholders. Apparently the "enraged" for acquisitions the excise will not wash with the Inland Revenue, which can hardly wait to get its hands on a portion of the investment income ABF's £900m cash pile is generating. Yet ABF's answer—a £148m placing to dilute the family holding and so free ABF of close company status—seems to make the long-awaited bid further away not closer.

If ABF could have completed a fair size purchase by the March year-end the placing would not have been necessary. And poor old ABF, painfully aware of the need, has been doing its level best to buy things. The problem is that Mr Weston is just too canny. He has seen too many UK food companies come to grief on overpriced acquisitions, especially overseas, to do the same. Minority shareholders must at least be grateful that he refuses to throw his and their money about, even if they do not appreciate the low return made on cash.

Now that the pressure exerted by the Revenue has been lifted, it may take Mr Weston some time to spend the money. After all ABF has not made an acquisition of any consequence since the "sixties" when Mr Weston's father bought 60 milling companies in two frenzied years. Since he took over, Mr Weston's philosophy has been to grow ABF organically and he has no experience of buying businesses. Beyond promising to stick to activities he knows, hoping that there are break-up opportunities about the remarking that food retailers in the US are on multiples of 15, Mr Weston is keeping his plans dark.

While the share issue is mildly dilutive in the current year, ABF could pay a multiple of as high as 16 for an acquisition and still enhance earnings. Institutional shareholders might be prepared to see ABF pay even more; compared with the (modest) dilution from yesterday's placing, dilution from a deal would have more to offer them.

Index fell 4.3 to 1280.4



Meanwhile shares in such pure exploration plays as Bristol and Tricentaur gain sharply. Unfortunately for the optimists in Opec, the most political interpretation that can be put on the Bank's oil forecast is that it buttresses the Bank's main argument that the pound has fallen far enough. For those who make their entire living—and not just 5 per cent of it—through oil, the future is rather more bazy. Yesterday Shell's chairman opined that \$10, plus or minus \$3, was as good a guess as any for next year's oil price.

Morgan Grenfell

Announcements to the Stock Exchange about Morgan Grenfell have not, according to recent practice, been the cause of mutual celebration between the company and its shareholders. Yesterday's announcement of the acquisition of the US brokerage house Cyrus J. Lawrence for \$70m was a welcome break with a dismal tradition, and Morgan's shares rose 8p to 376p: a far cry from the 430p before the DTI inspectors called last month—and further still from the flotation price of 500p—but such moments should be savoured all the more for that.

The price paid—about 11 times historic earnings—may seem expensive by the standards set by some Big Bang deals cut in the UK. But the rating is pretty much the norm for the other side of the pond, and for a business as highly regarded as CJ Lawrence, a takeover premium is unavoidable. Although Lawrence has market-making and underwriting capability, Morgan is essentially buying 22 top ranking analysts, and clearly hopes to use their product to sell US stocks across what is becoming an international client base.

It may appear odd that Morgan should have gone for a corporate acquisition in the US, having deliberately opted to build up its UK agency broking business by selective head-hunting. On second thoughts, maybe it is not so surprising. Yet even had Morgan wanted to try the same method again, it has nothing like enough US presence to pick the chosen few off the street. Morgan will have to write off around £30m of goodwill as a result of the deal. But following £150m raised in July, and a \$200m credit line from Citicorp, Morgan's balance sheet—at least—is not in doubt.

Oil price

For the past few years Opec has been urging the British Government to do something to support the oil price. The British have patiently argued that nothing they can say or do would change anything very much. Then on Thursday, which just happened to be the opening day of the Opec oil ministers' meeting, the Bank of England forecasts that the oil price will probably rise to \$20 a barrel in two years and what happens? The next day Brent crude breaks loose from its sub \$15 trading range and is even talked as high as \$16.

Gilt-edged

For months past—well before they set up in business after the Big Bang—the 27 primary gilt dealers have been having a collectively thin time. Mostly

EEC trade talks with Japan achieve little

BY QUENTIN PEEL IN BRUSSELS
JAPAN and the EEC yesterday reached outline agreement on a handful of limited trade disputes, but failed to make significant progress on the fundamental problem of the large and growing trade imbalance.

The talks in Brussels involved the Ministers of Foreign Affairs, International Trade, and Science and Technology from Japan and senior Commissioners led by Mr Jacques Delors, the President of the European Commission.

While the most difficult areas in dispute, such as the taxation of wines and spirits, remain un-

resolved, the two sides said there had been progress and a good atmosphere at "frank and candid talks which focused on broad trade issues, and specific sectors, such as financial services.

The most obvious achievement was Japanese agreement to recognise international standards for skis, a bone of contention since Tokyo threatened to impose national standards and in effect close the market to European suppliers.

Japan also agreed to tackle a list of European complaints about standards and certification problems.

Mr Willy de Clercq, European Trade Commissioner, said both sides had made an effort, but that concerns still remain, and we have said quite frankly we consider the development of trade between the European Community and Japan to be unfavourable, disappointing and worrying.

Japanese exports to the Community are rising, even in yen terms. The trade deficit is expected to reach \$20bn (£14bn) by the end of the year, compared with about \$13.7bn in 1985.

Mr Hajime Tamura, who holds the powerful portfolio of Minister for International Trade and Industry, said Mr Yasuhiro Nakasone, the Prime Minister, had instructed that Japanese taxation on imported wines and

spirits, seen as discriminatory by the EEC, should be brought "more in harmony with internationally accepted norms."

Lord Cockfield, the Commissioner responsible for financial services, pressed for deregulation of interest rates and the inter-bank market.

He welcomed Japanese assurances that interest rates would be liberalised for all deposits larger than ¥100m (£430,000)—instead of the present ¥300m—from April.

At separate talks, US and EEC officials agreed that a common front to resist protectionist legislation and keep international markets open was essential.

Japan denies US claim on supercomputers, Page 3; Baker talks in Europe, Page 4.

CHIEF PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISERS:	Treas 12 1/2pc 2003-05	£113 1/2 + 1 1/2	Morgan Grenfell	376 + 8
	Arlen	108 + 6	Ocean Wilsons	75 + 4
	Australian	54 + 12	Satchel & Satchel	750 + 11
	Barrow Hepburn	54 + 12	TACE	365 + 15
	Brint Inv	258 + 18	Tex Hlds	121 + 6
	Bristol Eveng Post	745 + 20	Tomkins (F. H.)	266 + 6
	BP	688 + 8	Wiggins Group	148 + 6
	Britoll	162 1/2 + 1 1/2	FALLS:	
	Cheshire Wholeds	11 + 10	Assoc Brit Foods	283 - 6
	Coalite Group	370 1/2 + 5 1/2	Glaxo	932 - 13
	Early's of Witney	120 + 4	Lucas Inds	496 - 7
	Erecreux	116 + 16	RHP	161 - 6
	Fleming Japan	780 + 20	Nippon	13 3/8 - 3/8
	Husock Johnson	180 + 8	Systems Reliability	213 - 32
	Ivanhoe Gold	91 + 19	Westland	80 - 5

WORLDWIDE WEATHER

Alajacio	S 16 61	Dallas	F 12 54	Madrid	S 18 64	Perth	S 31 88
Algiers	F 15 59	Dublin	F 9 41	Moscow	S 13 56	Rangoon	S 29 86
Athens	F 15 59	Edinburgh	F 12 54	Manila	F 15 59	Riyadh	S 12 56
Bahia	S 19 66	Faro	S 16 61	Mex. C.	F 15 59	Singapore	S 30 86
Bahrain	S 19 66	Frankfurt	S 11 52	Moscow	S 13 56	Sydney	S 27 81
Batavia	S 28 82	Glasgow	F 16 61	Munich	S 15 59	Tokyo	S 12 56
Belgrad	S 14 57	Guangzhou	F 16 61	Munich	S 15 59	Ulaanbaatar	S 12 56
Bombay	S 28 82	Hankow	F 16 61	Munich	S 15 59	Yokohama	S 12 56
Buenos Aires	S 14 57	Hong Kong	F 16 61	Nagasaki	S 13 55		
Calcutta	S 28 82	Kobe	F 16 61	Nagasaki	S 13 55		
Cardiff	S 16 61	London	F 12 54	Nagasaki	S 13 55		
Chengde	S 12 56	London	F 12 54	Nagasaki	S 13 55		
Colombo	S 28 82	London	F 12 54	Nagasaki	S 13 55		
Conqon	S 13 55	London	F 12 54	Nagasaki	S 13 55		
Corfu	F 12 54	London	F 12 54	Nagasaki	S 13 55		

Inspectors Continued from Page 1

The identity of miscreants was not proving an obstacle in the cases under investigation, he said.

The DTI also announced last night the appointment of two other inspectors, Mrs Barbara Mills QC and Mr Bob Wilkinson, head of the Stock Exchange surveillance department, to investigate a suspected insider dealing case involving an employee of British & Commonwealth Shipping.

Land Rover Continued from Page 1

worker from the present £136.66 a week to £147.50.

In addition, following the precedent set by Austin Rover, Rover Group's volume cars company, Land Rover has also offered a quality-related bonus scheme which could yield up to £10 a week extra in addition to the existing productivity bonus producing up to £30 a week.

The introduction of the nine-day fortnight is dependent on the present eight-hour day being extended by 40 minutes. The company said it could not meet the union demand for a cut in the present 39-hour week. The move to a nine-day fort-

Continued from Page 1 Teachers

Any compromise deal is likely to be reached at talks next Friday and may be sealed as a binding statutory agreement in Burnham on January 7—a move which would put Mr Baker in an awkward position if there is still dispute over the negotiating machinery issue.

While the Government is highly unlikely to change the Bill unless forced to do so by the House of Lords, Mr Baker hinted yesterday at scope for accommodation.

There was no reason why the employers and unions should not have a negotiating body which submitted its proposals to the pay advisory committee, provided the Government held a veto over the cost of any deal, he said.

Land Rover Continued from Page 1

profit of £8m in the first half of this year is expected to be doubled in the full year.

Under a recent reorganisation announced by Mr Graham Day, Rover-Group's new chairman, the profitable Freight Rover operation has now been made a separate company and is involved in talks with Daf of the Netherlands about further collaboration with Leyland Trucks.

Mr Day has made clear Land Rover, which also makes the luxury Range Rover, will remain part of the group but will be a candidate for early privatisation.

Oppenheimer

Latest performance

Two years to 1st December

Trust	Percentage increase in value	Position in sector
European	+166.0	3rd
Pacific	+80.8	6th
Worldwide Recovery	+76.8	6th
International	+76.8	7th
UK	+72.0	21st
Income & Growth	+62.3	7th
Practical	+60.0	1st
Japan	+52.1	29th
High Income	+49.9	8th
American	+31.0	17th

Recently International Growth has been most popular with financial advisers. It is an actively managed fund that can seek out growth opportunities worldwide.

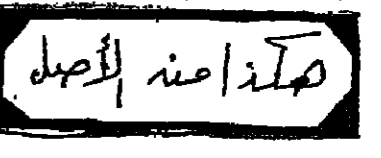
If you would like further details on International or any of our range of funds please telephone us on 01-489 1078 or write to Oppenheimer, 66 Cannon St, London EC4A 6AE.

Oppenheimer Fund Management Ltd

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WEEKEND FT

Saturday December 13 1986



MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

A new editor for America's best known paper is a rarity. Godfrey Hodgson reports

Let the good Times roll

A CHRISTMAS APPEAL: 75 YEARS OF THE NEEDIEST CASES FUND, PAGE 110



The old and the new: A. M. Rosenthal (left) and Max Frankel

THEY'RE changing guard at the *New York Times*. A few weeks ago Max Frankel, who is 56, replaced the legendary A. M. Rosenthal, who is 85, as executive editor, which is the top editorial job. It is a significant moment in the history of a great newspaper. But it is not, so far as those who know the paper from the inside can see, a new point of departure in terms of editorial policy.

"Max does a better line in velvet gloves," said one student of the paper admiringly. But it is generally agreed that the similarities between the editor who is leaving and his successor, both in terms of their journalistic seriousness and ability, and their passionate dedication to the paper, are far greater than their differences.

Two of the senior editors who might reasonably have been expected to succeed Rosenthal, however, have left. John Vinocur, the baron in charge of the metropolitan section — responsible for coverage of news in and around New York — will be the new editor of the *International Herald Tribune* in Paris, which is one-third owned by the *New York Times* Company. Bill Kovach (who as head of the Washington bureau with 65 journalists under him) headed the most important straggle of all, has left to edit the *Atlanta Constitution*.

Their departure set off what one *Times* man last week called a "six cushion shot." Last weekend the paper announced a sort of general post which brings new faces to the top of the bureau in Washington, London and Paris as well as to half a dozen other key jobs on the paper.

The last time a new generation took over, late in the 1960s, the events at the *Times* were as widely and almost as excitedly reported as, say a coup d'état in some moderately important capital. The saga even inspired a 600-page best-seller by a former *New York Times* journalist, Gay Talese, modestly entitled *The Kingdom and the Power*.

This week's transition, by contrast, is calm and orderly. There is no tang of emergency in the third-floor newsroom. No conspiratorial clusters of dissident editors were to be seen murmuring round the water-coolers, and conversations overheard in the lifts were about the excitement of politics in Washington, not about politics on West 43rd street.

Still, the *New York Times* does take itself seriously. It inspires almost fanatical devotion from most of its staff, and deep loyalty from its readers. It is a national institution, respected and more than a little feared by everyone from Broadway producers, who know that a critical review can send their play overnight to political leaders. Even Presidents hesitate to incur its measured but sometimes devastating editorial judgments.

The "good grey *Times*," with its faintly starchy promise to give its readers "all the news that's fit to print," may have thought of itself as a national institution for many decades. It is now setting out to be something else, indeed something that has never quite existed in the United States before: a national newspaper in the sense that it plays overnight to political leaders. Even Presidents hesitate to incur its measured but sometimes devastating editorial judgments.

The ambition is not entirely unprecedented, of course. The news magazines — *Time*, *Newsweek* and *US News* — have been reaching a national readership since the 1930s, though only once

a week. The *Wall Street Journal*, perhaps the *Times*'s closest rival for national influence, has long had a national readership, though one primarily oriented towards business coverage and business readers.

"The central change at the *Times* over the last generation," Max Frankel said this week, refilling his large brim pipe from a giant plastic bag for the fourth or fifth time in half an hour, "is that we ceased in significant respects to be a geographic paper and became a demographic paper. Our readership became defined by education, social class and income. Not all our readers are rich, but if they aren't rich, they are certainly well-educated.

"Our national role," he went on, "is to service what we think of as a community of readers who are serious about the news. And that community is now no longer geographically rooted. The suburbs of Houston, Texas, produce consumers of serious news who are not very different from readers in Scarsdale (an affluent suburb of New York).

Last weekend's Sunday edition was a record — even for the *New York Times* — in size, in advertising revenue, and sheer physical weight. It turned the scales, as they say of boxers, at eleven pounds and four ounces. What thudded on to the subscribers' porches across the country was 1,450 pages of journalism and advertising, organised into eleven formal sections.

This is the ultimate "supermarket newspaper." No reader could possibly hope to sample all the wares on its miles of shelves. Instead, readers are invited to choose between sections devoted to national and international news; to business news; real estate; news; sport; travel; entertainment; arts and leisure; regional news ("editionised" for different circulation areas) and so on. The Sunday edition last weekend included no fewer than three different rotogravure magazines, not to mention numerous advertising inserts.

The *New York Times*, however, is only one of the products of the *New York Times Company*, which owns 33 small but highly profitable local newspapers, most of them in the Sun Belt with a combined circulation of 800,000. It also has four television stations and a cable television franchise, a number of magazines and four pulp and paper companies, three of them in Canada and one in Maine. Altogether in 1985 those diversified investments produced a turnover of just under \$1.4bn and net income of \$116m.

It was not always so. As recently as the middle 1970s, indeed, even the paper's survival was by no means assured.

Its present prosperity is in part the consequence of the renewed buoyancy of the economy of New York City and of the North-East of the United States as a whole.

It is also the reward of a business strategy that took arms against a sea of troubles which at the time, from the executive suites on the fourteenth floor of the *Times* building, looked uncon-

monly similar to those which have plagued Fleet Street since then: hesitant management, economic recession, bitter strikes and labour disputes, and union resistance to new technology.

In the 1960s and 1970s, one after another of New York's famous newspapers closed as the white middle class fled to the suburbs from crime, rising housing costs and deteriorating schools. The *New York Times*, as a company with a single perishable product in a market consisting of a single city, was painfully vulnerable to union pressure.

Mr Arthur Ochs Sulzberger, the publisher, said this week that as late as the middle 1970s, "it was obvious that we were going into the red." (Mr Sulzberger is universally known by his childhood nickname, "Punch.")

Punch Sulzberger took over in 1963 in the aftermath of a particularly bitter strike which lasted 114 days and, he believes, caused the death of his brother-in-law and predecessor, Orville Dryfoos. "Management was shaken," he told me. "We had been jammed by the union. The underpinnings were shaky. We had lost money for the first time for a long, long time."

The first thing, aside from strengthening management, was to give the company a stream of earnings that did not depend on the *New York Times* and were not therefore vulnerable to pressure from the New York printing unions. By 1971 the Sulzberger family had sold a proportion of its stock in the company in order to be able to make acquisitions. The first major purchases came in that year, when the *New York Times* company bought a number of media properties, including a TV station in Memphis, *Family Circle* magazine, three small newspapers in Florida and some medical magazines, from Gardner Cowles, the publisher of *Look* magazine.

With characteristic prudence, the family sold only non-voting stock. That meant it could not be traded on the New York stock exchange, but only on the smaller, rival American stock exchange. It also meant that the company has remained defence proof against raiders, greenmailers and other unwelcome visitors.

There were further strikes in the early 1970s, and management was eager to install the new technology, which was then becoming commonplace in non-

union newspapers in the South and the South-West. Management negotiated one contract with the unions that allowed for increases of 15 per cent, 11 per cent and 11 per cent in three consecutive years. The company was being forced to push its advertising rates up beyond what the market would bear.

Management, however, had been making secret plans. The canteen at the *Times* is at the east end of the 11th floor. At the west end, behind a security guard, a miniature electronic newsroom was installed for training. More than a hundred executives of the paper were also taught to do every job, from mounting a paper reel and mending paper breaks to making stereotype blocks for pictures.

The day came when Punch Sulzberger was able to walk the formidable leader of the Typographical Union, Bertram Powers, through the secret room. Powers understood what it meant. Instead of calling the expected strike, he signed a remarkable 13-year union contract. It gave his skilled members security of employment for that period if they wanted it, with the alternative of either being retrained on the new technology or being bought out if they preferred.

Staff numbers were reduced quite drastically over the years, from about 850 at the time of the agreement to under 250 now. Far more important though, insists Walker Mattson, was the new flexibility management acquired through the freedom to move to new technology.

Beginning in 1976, the *New York Times* gradually went over to a daily four-section format. Working with Sidney Gruson, a former foreign correspondent who had moved on to the management side of the paper, it was Abe Rosenthal who was the chief architect of the four-section paper. Each weekday, the paper consisted of four sections: national and international news; "metropolitan", meaning more or less local news; business news; and a section which changed from day to day: from sports on Monday to a weekend entertainment section on Friday.

"A brilliant editor," said one journalist I asked about Abe Rosenthal, "but a lousy boss." Like most such snap judgments, it may be both over-simple and disputable. But it does at least express the ambivalence which so many journalists felt about this almost obsessively demanding man, who distinguished himself as a foreign correspondent in India and Poland, among other places, before returning to New York to transform first the metropolitan pages and then the paper as a whole.

Rosenthal's boss, Punch Sulzberger, is full of praise. "Abe was an absolutely wonderful editor," he said. "He did exactly what I wanted him to do. A hands-on executive editor. But he got to be 65. You've got to move on.

Frankel dismisses the idea that there is any ideological difference between himself and Rosenthal. "The *Times* has no ideology, only a way of looking at the world," he said.

What was that way of looking at the world? There was a long pause. "Oh, boy." And then another long pause. "I think the *Times*'s way is to feel that anything that happens or is important in people's lives is of interest to us. And we keep redefining that."

Wasn't the danger that the paper would end up putting its reporters' opinions in the paper under the guise of news?

"Opinion about what's important, yes. Opinion meaning what we think about it, whether it's good or bad, we try to draw that line. Our ambition is not to decide the conflicts of society, our ambition is to report them."

On the *New York Times*, reporting under Max Frankel just as much as under Abe Rosenthal, is an activity that may be a little hard to define precisely: it is nevertheless an activity that is taken very seriously indeed.

Reporting at the *New York Times* — and here there is not a whisker of difference between Frankel's attitude and that of Rosenthal or any of the other senior editors — is the primary function and one not to be taken lightly. Well over 600 reporters now work for the *Times*.

What is easily forgotten, though, is that it is the financial strength of the paper, and of the *New York Times* company, that gives the editorial staff the resources — and the psychological independence — they need to report the news as fully as they do and with the paper's sometimes infuriating, but ultimately reassuring, seriousness. In that respect, there is no chance at all that the events of the past week presage any change.

The Long View

How to bet on a beauty contest

THE NEWSPAPERS do not any longer run beauty contests on the lines that were common 50 years ago, when Keynes published his General Theory so it is worth spelling out the rules. (Very old readers can skip the next few lines).

What happened was that the more popular Sunday papers used to publish demure and rather blurry pictures of, say, 16 pretty girls; the reader had to pick the eight most appealing in order of merit. Some papers ran the contest as a poll, where the winner was the one who got nearest to the verdict of all the entrants (there was a television game recently on somewhat similar lines); others had judges who were also believed to work this way.

The art of winning, as Keynes pointed out, was not to pick the prettiest girls but to guess who everyone else would pick; and equity investment, he said, is just the same.

This is still a very good description of the art, even if the explanation is a bit laboured these days, and it is really the underlying text of the whole chartist or technical approach to price tipping.

The chartists don't bother with fundamentals like economic forecasting and company analysis; they simply try to guess, from the pattern of price movements, where the money is going. Since they retain a following, despite years of ridicule, they must deliver for some clients; indeed, the constant study of head-and-shoulder patterns and double bottoms has some vague connection with beauty contests.

You might have some sort of mental block when you read a technical market analysis (I certainly do); but nobody interested in markets can afford to take their eye off the quarry the technicians are trying to scent — the flow of investment money.

Keynes pointed out that it's not enough to pick winners to invest successfully; you must anticipate the market's verdict on the likely winners. In other words, bet on the judges—which, says Anthony Harris, means the Japanese



you might well kick yourself for not having forecast the whole thing. With hindsight it stood out a mile that the Baker-Miyazawa pact to stabilise the dollar-yen exchange rate would do wonders for Wall Street. The fall of the dollar had made American stocks startlingly cheap in yen terms, and improved the prospects for profits growth in the US. Japanese investors just needed some assurance that the fall of the dollar itself had ended its precipitous phase, and they were ready to buy—just as Japanese companies have been buying US enterprises.

But if Japanese investors are switching their attention to Wall Street, with its much more attractive yields, why has the Tokyo market not fallen instead of stopping in its tracks?

The boring answer is that investment institutions with large cash flows do not have to sell in order to rebalance their portfolios; they simply switch their new money. However, this idea is extended in an interesting way in a recent circular from Barton Biggs, an expert at Morgan Stanley in New York.

The Tokyo market, on his reading, ought to be in for a big fall. It has had a pattern ever since 1950 of rising five- or six-fold and then falling by up to 40 per cent, and it has already completed the second biggest of these four bull phases (this by the way is what we might call Long View chartism). However, it is being held up, says Biggs, by cash flows from foreign investment institutions—and since Morgan Stanley handles a lot of institutional money, he is probably not guessing.

His explanation is the fascinating part; he says they are simply trying to index their portfolios, which means aiming for a spread of investments which mimics the whole world of equities. Tokyo, after its huge rise (it has risen sevenfold in dollar terms since

1970) now accounts for more than half the world's market capitalisation; it is still a much lower proportion of any non-Japanese portfolio, so all portfolios have tended to underperform the world index; therefore, new money is routed to Japan.

This is the very worst kind of herd-following, as Biggs points out; but at first sight it seems to follow the Keynes rule of betting on the majority view. However, it does not. Keynes was talking about anticipating the majority view; portfolio-indexers are simply following helplessly in its wake, keeping several steps behind the game.

This is certainly a losing strategy at the moment; it is American portfolio managers who kept their money at home who have out-performed the world index recently, and the reason is again simple. The US institutions have much bigger current obligations for pensions and the like than their Japanese rivals; in cash flow terms, it is the Japanese who dominate world market investment flows.

Total Japanese investment flows—equities, loans, takeovers and factories built overseas—are measured by the Japanese current account surplus; and this is likely to remain high for a long time because of growing earnings on a growing portfolio of foreign assets. For the same reason, the US current account deficit will not be turned quickly; they may might their trade balance, but they are building up big foreign debts to service.

This switch in the world's main source of investment capital is the major financial event of our era—the kind of switch that happens every other generation at most. It means, among other things, that the Keynesian investor must in future try to anticipate Japanese, rather than Anglo-American, votes in the beauty contest. That is going to mean some earnest psychological study; but it should be interesting.

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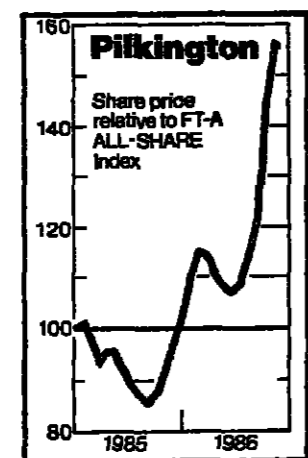
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MANAGEMENT GROUP

Record turnover—but City takes the strain

THIS WAS a week for the record books. BRITISH GAS, the world's largest new issue, started trading on the London Stock Exchange...

London

The original group has done a little better than it forecast back in the spring, despite some awkward problems in places like Nigeria...



Back in the more familiar world, one of the most fascinating takeover battles in years is beginning to gather momentum...

what the City—and, presumably, BTR—had been expecting: after a very tough period, the European glass industry is turning the corner...

In the present climate, an attempt to make institutional shareholders feel a twinge of guilt about their behaviour in big takeover battles could well be effective...

However, this bid could run until the end of January, and it is far too soon to write off an adversary as formidable as BTR...

On Wednesday, Steinberg disappeared in a puff of blue smoke, selling out of a big profit to the Canadian National Railway pension fund...

nasty indeed to make them look vulnerable at this level. Back in the more familiar world, one of the most fascinating takeover battles in years is beginning to gather momentum...

HIGHLIGHTS OF THE WEEK

Table with columns: FT Ordinary Index, Price of day, Change on week, 1986 high, 1986 low. Includes entries for Baggeridge Brick, British Gas, Britoil, etc.

Based on partly-paid issue price of 50p

When the top men file out...

THE USM has, as one would expect of a market composed of young companies, been nothing if not volatile...

In the course of the past week, Memcom—which manufactures electronic filing systems—has lost its chairman, director of finance, stockbroker and solicitor...

On Wednesday, Steinberg disappeared in a puff of blue smoke, selling out of a big profit to the Canadian National Railway pension fund...

Richard Lambert

their difference with these directors that Whitten and Nixon resigned. Zohair Awartani has now assumed the chair of Memcom...

A cheerier tale unfolded at another USM electronics stock this week when Pericom marked its recovery from the electronics slump...

Armed with new, higher margin products, Pericom is expected to produce profits of £2.0m in the present year...

The resignations follow an uncertain period for Memcom. It joined the USM in January 1985, on its second attempt...

cars, survived the receivership of two parent companies—Lines Brothers and Dunbee-Comber-Max—to emerge as a management buy-out in 1982.

USM UNLISTED SECURITIES MARKET

The City is expecting results for the year ending September 30 to show pre-tax profits of about £18m, against £12m last year...

The Hornby name is an emotive one — not least for those with nostalgic memories of toy trains in childhood — and the issue has attracted a great deal of attention...

The toy industry, now dominated by huge US manufacturers, is intensely competitive. Toy life cycles are shorter. Marketing budgets are far larger.

One interesting feature of the issue is that the sponsor, Guidehouse Securities, is staging a Business Expansion Scheme issue at the same time as the flotation...

There are restrictions involved with BES investment, not least that shares cannot be traded for a fixed period without forfeiting BES tax relief...

Alice Rawsthorn

COMPANY NEWS SUMMARY

PRELIMINARY RESULTS

Table with columns: Company, Year to, Pre-tax profit (£000), Earnings per share (p), Dividends per share (p). Lists companies like Albion, Avon Rubber, Baggeridge Brick, etc.

INTERIM STATEMENTS

Table with columns: Company, Half-year, Pre-tax profit (£000), Interim dividends per share (p). Lists companies like Airspring Group, Aspec, etc.

(Figures in parentheses are for the corresponding period.) Dividends are shown net pence per share, except where otherwise indicated. L/Loss.

RIGHTS ISSUES

Avesso—To raise £3.1m through a two for nine rights issue at 60p. Avon Rubber—To raise £10.8m through a one for four rights issue at 33p.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

Avesso—Introduction to USM. Avon Rubber—USM placing of 4.8m shares at 100p. Moxonville Capital—To raise £1m for subscription of 14.9m capital shares at 50p and 15m income shares at 150p.

TAKE-OVER BIDS AND DEALS

Table with columns: Company, Value of bid, Market price, Price paid, Bidder. Lists bids for companies like AEY, Barrow Hepburn, etc.

A year of change at Grand Met

PRELIMINARY results for GRAND METROPOLITAN are due on Thursday after a year of change in which it has appointed a new chief executive, Allen Sheppard, and made further acquisitions and disposals...

Results due next week

can broking arm (barring damage from adverse currency movements). But perhaps 11m of the extra profits have to be put down to investment earnings and reduced borrowing costs because of Hogg's £15m rights issue last January.

Fingers crossed for gold in '87

Greenwich Resources, which recently announced an up grading of its gold mining interests at Gebati in the Sudan, is now to examine gold possibilities in Venezuela. Agreements have been signed to explore and develop mining concessions within the Pastora complex of the north-eastern part of the country.

Mining

South African gold production is declining — it has dipped to 534.4 tonnes in the first 10 months of this year from 562.4 tonnes in the same period of 1985 — and seems likely to continue to do so in line with the mining of lower ore grades.

Kenneth Marston

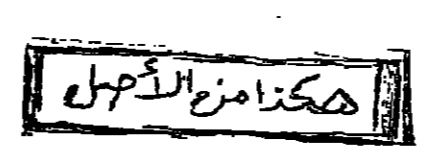
Announcements

Table with columns: Company, Announcement date, Dividend (p), This year, Last year. Lists companies like Archimedes Investment Trust, Cardiff Property, etc.

Results due next week

can broking arm (barring damage from adverse currency movements). But perhaps 11m of the extra profits have to be put down to investment earnings and reduced borrowing costs because of Hogg's £15m rights issue last January.

Dividends are shown net pence per share and are adjusted for any intervening scrip issue.



MARKETS

High and low spirits in an aimless week

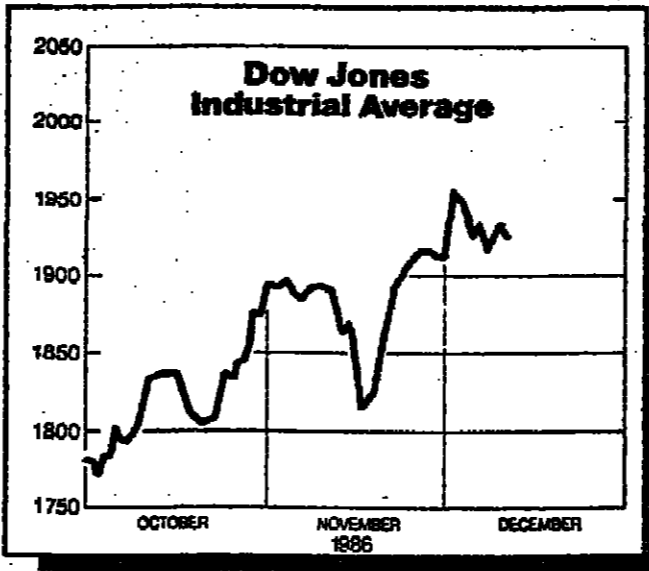
WALL STREET has spent an aimless week. The stock market rose and fell on alternate days and nobody is at all sure which way it is going.

economy is going, the stock market remains dominated by the Boesky affair, which became a month old on Friday.

Wall Street

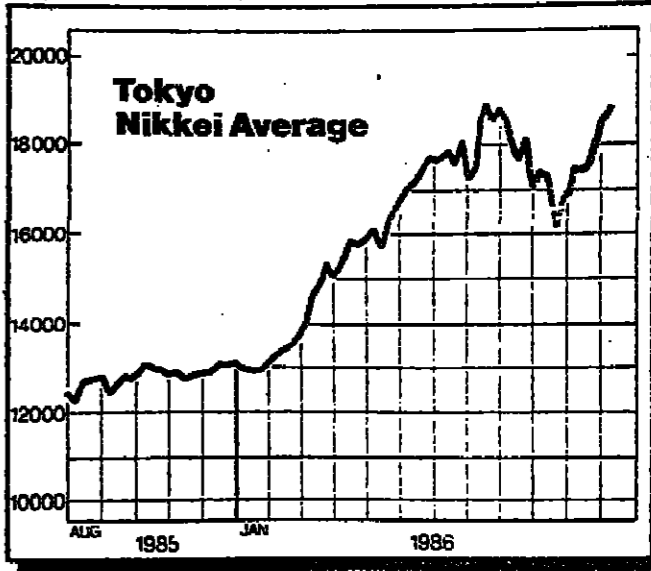
By the end of the week, the Dow Jones was down, well short of the peak of 1953.57 reached on December 2.

only worry the wicked, who should not be in the market anyway. But for two years, the stock market has been going up and down on the old-fashioned basis of rising corporate earnings, but on diminishing supplies of stock or the freeing of values caused by various takeovers and restructuring activity.



Waiting for Santa

IT IS often hard to detect the approach of Christmas in Tokyo. The only Santa Claus sighted so far was handing out coupons in front of a petrol station.



aimed at boosting domestic spending and giving some oomph to the economy, which has been lagging in the wake of the appreciation of the yen.

Tokyo

dicting the Nikkei average to break 20,000 in January. This boomlet could last through February, Daiwa suspects, because the tokkin funds close their books in March.

THE FAILURE by producer and consumer members of the International Coffee Agreement (ICA) to make any progress towards the reintroduction of export quotas at an emergency meeting in London this week had been generally expected.

A coffee break for the bears. The US's enthusiasm for the ICA, never great, appears to be at an all-time low and it seems determined to drive a very hard bargain indeed before agreeing to co-operate with any future attempt to manage the coffee market.

Commodities

It cannot be denied that the continued lack of a price supporting agreement is bearish for the coffee market. But some analysts are beginning to wonder whether the price fall has not already been overdue.

which, according to US Department of Agriculture estimates, has resulted in a 16 per cent reduction in the world crop to 51m bags (60 kilos each), the lowest crop total since the 1978/79 season.

There might also have been a fall in consumption, however. ICO figures show net 'disappearance' of coffee in the 1985/86 season to be 2.4 per cent up but Bronwyn Curtis, an analyst with Landell Mills Commodities, suspects that this increase reflects the recording of shipments which previously went 'under the counter' to avoid ICO export controls.

for the final quarter of this year has not materialised — partly, one analyst says, because of 'mis-management' by the Brazilians. Having stood aloof from the market in the confident expectation that world prices would rise to meet its own inflated expectations, Brazil now finds itself with too much coffee to sell and roasters in no hurry to buy.

Analysts, however, suspect that TEP is part of a larger warm-up strategy to get the market ready for the launch of the world's mega-stock, Nippon Telegraph and Telephone, early in February. The first tranche of the Government's first sell-off was adequately, if not enthusiastically, received by investors last month. But, apart from a small allotment to institutions, no one has had to pay any money for their shares.

After the launch of NTT, one foreign broker predicts Tokyo will become a kamikaze market, even trickier than usual. Meanwhile, the thinness of fundamentals behind share price rises continues. For example, Okumoto, Japan's largest contraceptive maker, has been enjoying a big increase in its share price because of fears about AIDS. This is despite the fact that so far, Japan has been really AIDS-free.

INTERNATIONAL BUSINESS PHRASE BOOK: LESSON 1

When it comes to asking anything about international business information, the French have a phrase for it: 'Jaime bien la tour Monsieur Eiffel. Mais si vous voulez savoir «comment», appelez le Financial Times'.

'Know FT, Know comment' Or, roughly translated into English, 'Know the FT, Know how'. Unfortunately, in Britain we tend to take our great institutions for granted. For example, when was the last time you visited the Tower of London? Or saw the Changing of the Guard?

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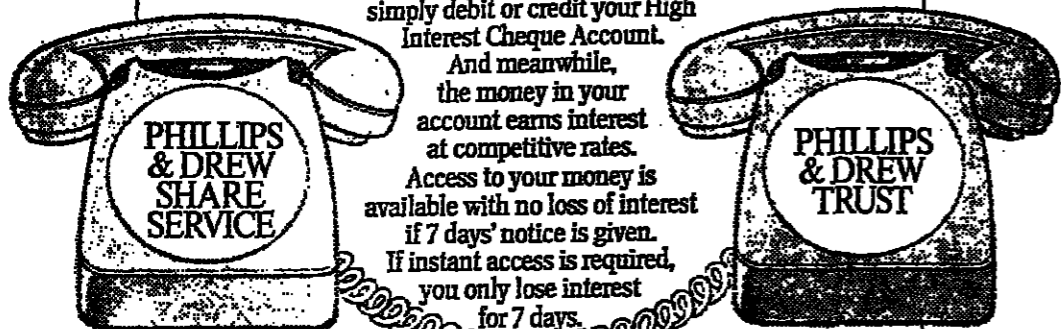
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NATIONWIDE Building Society, which this week announced that it is planning to merge with the Anglia, is introducing a two-year Capital Bond on Monday. The bond will pay a guaranteed 3.25 per cent over the society's share account rate, 6 per cent, on investments of £1,000 and more.

On balances of £2,000 and more, monthly income payments are available at an annual rate of 9 per cent. After two years the full amount can either be withdrawn with accumulated interest or be reinvested. If you require to withdraw your money before the bond matures, the full amount can be withdrawn with 90 days' notice to avoid loss of interest.

CANNON ASSURANCE claim to be the first life company to offer to pay up to half the sum assured if the policyholder suffers a stroke, heart attack, invasive cancer or has surgery treatment for coronary artery disease. This optional extra, known as critical life cover, has been built into the company's Designer universal life plan.

The company says that while modern medicine means that the chances of survival from one of these serious illnesses are better than ever before, those affected often find themselves facing sudden and unexpected financial problems. The cost of medical care can be extremely expensive and your income may fall or your whole livelihood disappear by not being able to carry on your previous profession.

The cover is only available to non-smokers with a good health profile at the time of taking out the policy and the sum paid out is restricted to a maximum of £20,000 or half the value of the life cover, whichever is the smaller.

NATIONAL SAVINGS, the government organisation used to raise money from investors, is planning to spruce up its dowdy image. Next year, it is adopting a corporate identity in an effort to emphasise its importance in the personal savings market. Its promotional material has been

redesigned to concentrate more on publicising it as a savings specialist. National Savings announced last week that it was simplifying the way to earn the maximum interest rate of 6 per cent in its ordinary account next year. This higher rate is paid whenever a balance of £500 is held for a calendar month. To take advantage of the concession, allowing £10 interest a year to be paid tax-free, you need to keep a balance of £1,168 for the whole year or, alternatively, £7,000 for two months only. The maximum holding is £10,000.

JOHNSON FRY has extended the closing date of two business expansion schemes it has sponsored until December 31. They are Dix Belgravia, which so far has raised £2.8m of the maximum subscription of £5m, and Country Resort Hotels, £1.35m out of the £1.7m.

POTENTIAL good news for investors in building society and interest-paying bank accounts is that the composite tax rate is to be reduced in the 1987/88 fiscal year by 0.5 to 24.75 per cent. Under Inland Revenue regulations, composite rate tax has to be deducted automatically from any interest earned on deposits by UK residents—even if you are not liable to pay tax because your income is too low—and is not reclaimable.

This is the main reason why it makes no sense for a nil taxpayer to keep money on deposit in a building society or bank when there are tax-free alternatives such as National Savings.

However, to compensate for the inability to reclaim the composite rate is fixed at a lower level than the standard rate of tax, so those on the latter gain some advantage from paying the lower rate. The advantage was reduced when the Chancellor cut the standard rate by 1 per cent to 29 per cent in this year's Budget.

The gap will be widened again next April—assuming that is that the Chancellor does not cut the standard rate of income tax once again.

Clive Wolman on the worries of small investors Inside and outside

THE SMALL investor has long been used to getting a "hot tip" from his stockbroker, only to discover that the price of the shares has already run away from him because the big institutions were told hours, or even days, before he was.

The present wave of insider dealing cases which are being investigated on both sides of the Atlantic has reinforced the popular belief that the little people will always lose out to the gossipy City slickers and the giant institutional investors. It is a belief often nurtured by the City itself, particularly by its unit trust and other fund managers who charge hefty fees for their supposed expertise in managing your money.

The truth is rather different. With or without insider dealing, about 80 per cent of the City's professional fund managers consistently under-perform the stock market average whereas the vast majority have probably made as much, if not more, money than the average by doing nothing to her portfolio for 10 years.

Nevertheless, the evidence suggests that, over the last few years, perhaps a few hundred individuals have made substantial sums by dealing on the basis of the inside information they have received in their positions as corporate advisers.

The number of halfpenny share price movements, just before the announcements of takeover bids and other price sensitive news suggests that there is a persistent use of inside information for illegitimate purposes.

But does the small investor need to worry that he may become a victim of inside dealing and lose large sums of money as a result?

The answer is generally no. The typical passive investor, who holds onto his shares until he needs the money for other purposes, may even feel reassured that he has obtained a fair price for his shares as a result of insider dealing.

Suppose you held shares in Distillers shortly before a takeover bid was announced by Guinness on January 20 of this year. Only a month before, the market price of Distillers shares was 478p, more than one pound below the value of the bid.

But the Distillers share price rose steadily over the subsequent four weeks before the

bid was announced—possibly pushed up by insider dealers—to reach a price of around 570p. As a result, the bid announcement had only a minor effect on the share price.

Without any such movement in anticipation of the bid, you might have received only 478p for your shares even if you had sold just a few hours, or minutes, before the Guinness bid was announced. You would have certainly felt miffed when you discovered that you had lost out because Guinness had been so successful in keeping its plans secret.



Ivan Boesky—fined \$100m in the US for insider dealing

In these situations, insider dealing can give you a fairer price. Any dealing on genuine inside information generally pushes share prices towards their true value, that is the price they would, or will, be at when the inside information is made public.

The only circumstances in which an investor can lose as a result of insider dealing are when the insiders, directly or indirectly, induce him to sell or buy his shares when otherwise he would have done nothing.

Suppose, for example, you had held your Distillers shares for several years and became increasingly disillusioned with their performance. When the price shot up in early January to 530p, you decided to cash in while the going was good. As a result, you lost out when the Guinness bid finally arrived.

Your only consolation is that, as long as you knew of no bid announcement, you would presumably have sold your stake as soon as the share price reached 530p, even if the cause was not

insider dealing. In retrospect, the only way you could have got more than 530p is if the share price had shot straight past 530p without giving you time to sell at that figure.

A practice akin to insider dealing, and possibly more pernicious as far as individual shareholders are concerned, is that of starting stock market rumours which are not based on any genuine inside information. Their purpose is usually to "ramp" the price of a particular share so that it moves to an artificially high level, allowing the rumour-monger to sell the share at an inflated profit. Market manipulation of this form has now been made a criminal offence under the Financial Services Act but its practical effect is likely to be limited.

For that reason, selling your Distillers shares at 530p in early January might have been quite a sensible move, assuming you had no inside information at the time. There was always the risk that the bid rumours would come to nothing—and then the share price would have fallen back again.

Although market manipulation may cause greater losses to the investor, insider dealing is not necessarily a victimless crime, as Sir Martin Jacob, deputy chairman of the Securities and Investments Board (SIB), claimed last month. Those market-makers who sell shares to the insiders without keeping a tight control on their books may lose money. A more important victim is the company, often a bidding company, that wishes to keep the inside information confidential until an official announcement is made. And the merchant bank which advises the bidding company may well lose the confidence of his client if it is suspected as the source of the insider dealing.

But these are problems for the City. Provided you take an easy-going and relaxed view of investment in shares, you will probably not suffer any harm as a result of insider dealing. But if you like to analyse every share price movement and every item of company news, the possibility that some price movements have been driven by inside information and others by false rumours will make your life more complicated and anxiety-ridden.

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Choose a Bank with a track record for making new ideas work. Complete the coupon and send for our PEPs booklet.



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Key of the door

THE SPECTACULAR rise in property values in the past few years has outdistanced the increase in most incomes. So many people struggle to make ends meet, with little surplus cash available, while the value of their houses (their main asset) has gone up sharply. Being asset-rich but cash-poor in this way can be very frustrating.

Last year Medens Trust, a subsidiary of merchant bankers Brown Shipley, launched its Key Plan scheme providing one way of unlocking the surplus cash in your property. It is now being relaunched with a new insurance partner, Royal Life, replacing Friends Provident.

Key plan is basically a loan scheme. Medens Trust is prepared to lend up to 50 per cent of the net value of your home, after taking away any commitments such as a mortgage. So if your house is valued at £100,000, and you have an outstanding mortgage of £30,000 you would be able to borrow up to £35,000 (half of £70,000).

Medens Trust pays all the valuation and legal fees involved. You are provided with a cheque book, and overdraft facility up to the limit agreed, which you can use like a bank account except that the minimum cheque value you can write is for £250 to prevent it being used as a current account.

You are sent monthly statements of account showing how much is outstanding and you either pay the monthly interest due by direct debiting mandate or through a paying-in book. The interest rate charged is 1.3 per cent monthly (equal to 16.7 annual percentage rate) and you can make capital repayments at any time without charge or penalty.

You can also increase the size of the overdraft facility in line with the rise in the value of the collateral (your house), although the maximum loan available under the scheme is £50,000.

To cover itself, Medens Trust takes a legal charge on the house—normally the second charge after the mortgage—equal to the size of the loan and also insists that you take out either a term life insurance policy with a sum assured at least equal to the size of the loan. This policy is to assure repayment of the loan at the end of the period and is formally assigned to Medens Trust as security.

Since the length of the policy varies to a large extent with your age, but it has to be at least a 10-year qualifying policy. So in addition to paying interest on the loan, you also have to pay premiums on a low cost Royal Insurance endowment policy, although you do retain any surplus profits on the maturing policy after the loan has been repaid.

John Edwards

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at			Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
		29%	45%	60%				
CLEARING BANK*								
Deposit account	5.00	5.12	3.96	2.88	monthly	1	—	0-7
High interest cheque	7.70	7.93	6.14	4.46	quarterly	1	2,500 minimum	0
Three-month term	7.69	7.91	6.22	4.52	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	6.00	6.09	4.72	3.43	half yearly	1	1-250,000	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	500 minimum	0
High interest access	8.00	8.00	6.20	4.51	yearly	1	2,000 minimum	0
High interest access	8.25	8.25	6.39	4.65	yearly	1	5,000 minimum	0
High interest access	8.50	8.50	6.58	4.79	yearly	1	10,000 minimum	0
90-day	8.75	8.94	6.93	5.04	half yearly	1	500-24,999	90
90-day	9.00	9.20	7.13	5.18	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.75	8.34	6.46	4.70	yearly	2	5-100,000	30
Income bonds	12.25	9.27	7.18	5.22	monthly	2	2,000-100,000	90
32nd issue†	8.75	8.75	8.75	8.75	not applicable	3	25-5,000	8
Yearly plan	8.84	8.84	8.84	8.84	not applicable	3	20-200/month	14
General extension	8.70	8.70	8.70	8.70	quarterly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.99	8.15	6.31	4.59	half yearly	1	2,500 minimum	0
Schroder Wagg	7.48	7.74	6.08	4.42	monthly	1	2,500 minimum	0
Provincial Trust	8.04	8.34	6.46	4.70	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS‡								
7.75pc Treasury 1985-88	10.69	8.40	7.14	5.95	half yearly	4	—	0
10pc Treasury 1990	11.22	8.25	6.61	5.08	half yearly	4	—	0
10.25pc Exchange 1995	11.13	8.07	6.38	4.79	half yearly	4	—	0
3pc Transport 1978-88	8.31	7.40	6.89	6.42	half yearly	4	—	0
2.5pc Exchange 1990	8.17	7.35	6.90	6.48	half yearly	4	—	0
Index-linked 1990†	7.91	7.31	6.98	6.67	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. † Paid after deduction of composite rate tax, credited as net of basic rate tax. ‡ Paid gross. † Tax free. ‡ Dividends paid after deduction of basic rate tax.



A capital and income growth trust with an international portfolio in financial services companies and development capital investments.

Net Asset Value per share +29.2%

Ordinary dividend per share +28.6%

Extract from the statement by Mr R Fawcett, Chairman

Ensign Trust has been identified as a trust with a lot at stake in the current changes in the City of London. We have indeed invested in a number of concerns which will be affected, we believe beneficially, by the changes. Our activity includes the promotion and support of developing companies. We have been successful in this difficult endeavour and hope to continue to be so. I look forward to a hopeful year ahead.

To: Ivory & Sime plc, One Charlotte Square, Edinburgh EH2 4DZ. Please send me a copy of the Annual Report for Ensign Trust.

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ider dealing. In relation only way you could have... more than 50p is if the... had sold straight to... without giving you the... at that figure.

The real cost of new issues

FOR STOCK market investors who believe that new issues are a passport to wealth, the Bank of England's latest quarterly bulletin—normally a rather dry old tome—makes an interesting read.

In an article on the costs involved in bringing a company to the stock market, the bulletin makes the often-neglected point that all the various expenses associated with a flotation represent only a part of the true cost. For they take no account of the discount in the share price that has to be offered to investors to arouse their interest in the shares.

One person's discount, of course, is the next person's premium: so what the Bank of England has effectively analysed is how much money people have been making out of new issues.

From the point of view of the company floated, the expenses alone are bad enough, and every penny given away to investors is to be begrudged.

First, they have to pay all the solicitors, accountants and public relations advisers involved in the float. Then there are the heavy costs of advertising (a four-page advertisement in the Financial Times does not come cheap).

And most of all, there is the 2 per cent commission to the issuing house, out of which has to come the fee to the sub-underwriters—the institutions which undertake to take up the shares if the flotation flops.

In its survey of over 250 recent main market and USM flotations, the Bank finds that as far as expenses are concerned,

WHAT IT COSTS TO COME TO MARKET (Example based on an offer for sale raising £7m in new money)

Per cent of sum raised

* Includes sub-underwriting commission of 1 1/2 per cent and brokers' fee of 1 per cent. All figures exclude VAT. Source: Bank of England.

After the gas...

THE POINT was made often enough in the run-up to the British Gas flotation. But for many people who applied for shares, it still came as a rude shock to find that their letters of allotment had not arrived when dealings began on Monday.

There are four main points at issue. We put them to Tony Alt of N. M. Rothschild, the merchant who has sponsored the British Gas flotation.

First, why were the letters of allotment not sent out earlier so that everyone could start dealing at the same time? "It just wasn't possible," says Alt. "The offer only closed the previous Wednesday and we were still counting the applications on Friday. There was no way we could have issued and delivered 4.5m letters of allotment and the accompanying refund cheques over the weekend."

So why not postpone the start of dealings until the letters of allotment had gone out? "We had enough problems with the grey (unofficial) market as it was, and if we had delayed the start of dealings any longer it would simply have encouraged even more grey market activity. If people had been sucked into that, they would be regretting it now because the price in the grey market was much lower than it has been in official dealings."

Then why not outlaw the grey market? "I am not the Government. But in any case it's a very difficult question: obviously, the grey market has some very undesirable effects, but at the same time you can argue that this is a free country and people should be allowed to make a

SURREY BUILDING SOCIETY SURREY GOLD SHARES 21 Days' Notice Account Second Limited Issue 10.00% CAR 9.76% NET Investments of £20,000 to £125,000 maximum

Alice Rawsthorn reports on tidy profits for the teams Pru goes further ahead

THE TEAMS of fund managers competing in the Great Investment Race have adopted low profiles over the past few weeks as the London and New York stock markets have ricocheted up and down because of insider trading scandals.

However, several of the teams have made tidy profits by cashing in their investments. As a result, the Prudential Portfolio Managers has a much-extended lead, while Fidelity has overtaken Nomura and moved into second place.

Six teams of top fund managers are testing their investment skills in the race being managed by the Prudential Unit Trust Managers. Late in September, at the end of the year, the profits raised will be donated to charity by Charity Projects.

Bull Lawrence, the Scottish stockbroker, has clung to its policy of putting together a core portfolio—and sticking to it. The portfolio—composed of gilt, a Far Eastern investment trust, and stakes in Boots and Ultramar on takeover hopes—has fallen in value since the start of the race to £3,864.

By contrast, Fidelity, the fund management group, has augmented its portfolio—now worth £51,640—through speedy trading in opportunistic investments.

Fidelity has concentrated on the Japanese stock market. "Until now, all the best opportunities have occurred there," says Peter Plydell Bouvier, Fidelity's portfolio manager for the Far East.

Fidelity has built up a stake in the superstore group, Sotetsu-Rosen, because "we are keen on small situations like this where the risk/reward is very favourable." It has also invested in two non-life insurance houses, Yasuda Fire & Marine and Taisho Marine & Fire.

Hoare Govett, the London stockbroker, still lingers in sixth place. Its portfolio suffered in the opening weeks of the race after a few unfortunate investments and it has not yet succeeded in recouping its losses. The portfolio is now worth £30,426.

Pepping up Christmas

IF YOU view Christmas as an opportunity to help someone financially, a new highly tax-efficient gift is available for the first time this year. It is the Government-sponsored Personal Equity Plan (PEP) which becomes operational from the beginning of January.

In certain cases you can obtain a double tax benefit by using a deed of covenant. If you plan to gift a PEP, you can get relief for yourself by using a deed of covenant and also provide the recipient with a tax-free investment, which can be drawn out at a later date (perhaps to pay school fees) when he/she might become liable to pay tax.

A straight gift of a PEP, without a deed of covenant, would to some extent be wasted on

Income Bonds New Rate

This is what the new 12-25% pa rate earns you every month

INVESTMENT | OLD RATE | NEW RATE | INVESTMENT | OLD RATE | NEW RATE

£2,000 | £18-75 | £20-42 | £ 15,000 | £140-63 | £ 153-13

£5,000 | £46-88 | £51-04 | £ 25,000 | £234-38 | £ 255-21

£8,000 | £75-00 | £81-67 | £100,000 | £937-50 | £1,020-83

(Each additional £1,000 invested at the new rate produces an average of £10-20 per month—£122-50 per year. Maximum holding £100,000.)

SO WHAT DOES THAT MEAN?

Now that the interest rate has been increased from 11-25% to 12-25%, an investment in National Savings Income Bonds will give you more each month to help pay the bills, or simply to enjoy life.

Enjoy life with a regular monthly income. You'll receive your income monthly and in full, because we don't deduct tax at source. The interest is credited direct to your bank or building society account on the 5th of each month, or we can send it direct to your home.

Either way it means some welcome money coming in regularly. No need to touch your capital. You get your monthly income without needing to touch your capital. Interest is calculated on a day-to-day basis. It is paid in full and is subject to tax if you are a taxpayer. The rate paid may change from time to time, to keep it competitive.

Invest here and now. You can be sure your investment will always provide a worthwhile income—month in, month out. All you have to do is complete the coupon below and send it with your cheque (payable to "National Savings") to NSIB, Bonds and Stock Office, Blackpool FY3 9YF. Or ask for an application form at your post office.

The minimum purchase for new investors is £2,000; if you already have a bond, it is £1,000.

Enjoy life with a regular monthly income.

Getting your money out. You can have your bonds repaid at 3 months' notice. And there will be no loss of interest if you've held your bonds for a year or more. (For the full details of repayment, see paragraph 6 of the prospectus shown below.)

Invest here and now. You can be sure your investment will always provide a worthwhile income—month in, month out. All you have to do is complete the coupon below and send it with your cheque (payable to "National Savings") to NSIB, Bonds and Stock Office, Blackpool FY3 9YF. Or ask for an application form at your post office.

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NATIONAL SAVINGS

The Great Investment Race

Fellow London broker L. Messel favours a more opportunistic approach, but so far has traded its portfolio rather aggressively than the leaders and has produced a more modest profit, increasing the portfolio to £38,893.

Messel has sold its stake in the Italian new issue, Assitalia, and has invested in Matthew Brown, the regional brewer, on hopes that Scottish and Newcastle Breweries will renew its takeover bid.

Third-placed Nomura, the Japanese securities house, has opted to go liquid. In the opening weeks of the race, it built up a strong portfolio through active trading on the Tokyo market. Recently, it sold all its holdings—in blue chips such as Tokyo Gas and Kawasaki Steel and in the stores group, Taka-Q—to emerge with a portfolio worth £43,261.

"The Tokyo market has been rather difficult, very unpredictable," says Kenichi Fukuhara, executive director of Nomura in London. "We took a profit on our investments and are now looking for suitable opportunities. Until now comes along, we will hold the portfolio in cash, but we expect to start investing again very soon."

The Prudential, meanwhile, has more than doubled the value of its portfolio since the start of the race 10 weeks ago, to £75,288.

"There are times to take on the market and there are times not to," says Trevor Pullen, director of UK equities at the Prudential. "In the past few weeks, the London market has been very volatile and we have adopted a low profile."

The Prudential has taken the opportunity to trade some of its investments, taking profits on its holdings in Taka-Q in Japan and on Fine Arts Developments in the UK. It has, however, opted to retain its holdings in Atwoods, Beazer and Walter Runciman.

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NATIONAL SAVINGS

PROSPECTUS 30 May 1986

1. The Director of Savings is authorised by the Lord Commissioners of Her Majesty's Treasury to receive and apply for National Savings Income Bonds (Bonds).

2. The Bonds are a Government security issued under the National Loans Act 1968. They are registered in the National Savings Stock Register and are subject to the Regulations relating to the National Savings Stock Register for the time being in force so far as they are applicable. The principal and interest on the Bonds will be charged on the National Loans Fund.

3. Subject to the minimum initial purchase of £2,000 (see paragraph 4), a Bond may be purchased for £1,000 or a multiple of that sum. Payment in full must be made at the time of purchase. The date of purchase will for all purposes be the date of receipt of the application. With a completed application form at the Bonds and Stock Office, Blackpool, or such other place as the Director of Savings may specify.

4. An investor may purchase a Bond in any of the following ways: (a) by cash payment; (b) by cheque; (c) by direct debit from a current or savings account in the name of the investor; (d) by transfer from another National Savings Bond.

5. The Bonds may be held in the name of an individual, a partnership, a trust, a company or a body corporate, or jointly or in common by two or more persons. A Bond may be held in the name of a minor under the age of 18 years, or of a person who is or may be incapable of managing his or her own affairs, or of a person who is or may be bankrupt, or of a person who is or may be subject to a bankruptcy order, or of a person who is or may be subject to a moratorium order under the Insolvency Act 1985, or of a person who is or may be subject to a receivership order under the Insolvency Act 1985, or of a person who is or may be subject to a winding-up order under the Insolvency Act 1985, or of a person who is or may be subject to a liquidation order under the Insolvency Act 1985, or of a person who is or may be subject to a sequestration order under the Insolvency Act 1985, or of a person who is or may be subject to a receivership order under the Insolvency Act 1985, or of a person who is or may be subject to a winding-up order under the Insolvency Act 1985, or of a person who is or may be subject to a liquidation order under the Insolvency Act 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FINANCE & THE FAMILY

Eric Short on Christmas planning for a child's future

Gifts that grow up



offer complete flexibility in regular savings over the period of investment. Life contracts tend to have fixed contributions with a minimum investment period of 10 years.

Parents need to consider the possible uses of the nest egg being built up. A building society or bank account can be used as a deposit for a house.

Building societies and banks have been promoting children's accounts strongly, with the advantage that they are willing to accept small amounts of money at any time.

The notable exception is Friends' Provident Life Office, a life company which for reasons lost in the mists of time, has been able to issue contracts direct to children.

second is that up to the age of 12 the return on death is simply a refund of premiums, by law. So Friends' Provident can offer a lower premium on with-profits contracts or a higher unit allocation on unit-linked contracts.

Grandparents have much more flexibility in making gifts and can make full use of the tax mitigation provisions available under the tax law.

The actual passing of the gift should be made under a deed of covenant. This enables the child, through the parent, to re-

claim the gift has been made to the grandchild. By these arrangements the income from the savings plan is deemed to be the child's and he or she can set this off against the single person's allowance after taking into account the amount claimed on the core-nanted gift.

Thus is the gift is at or near the maximum for tax relief the child will have to pay tax on the income. So like gifts from parents he or she should invest in plans which deduct basic rate tax.

But if the amount of the gift is way below the limit, then to make maximum use of tax allowance, investment should be in contracts which roll up interest gross, such as the National Savings Bank Deposit Bond paying 12.5 per cent gross, or where tax can be reclaimed, as with unit trusts.

A "building society" account where tax cannot be reclaimed is not as tax efficient as the National Savings Bank - highest yields are around 8 per cent. Nor is a life contract as tax-efficient as a unit trust, since the tax can be reclaimed from the life fund.

Until recently, banks and building societies made all the running in promoting children's savings. Now life companies and unit trusts are fighting back. These more progressive unit trust groups, like M and G, have DIY package forms for grandparents, which include the covenant forms, tax reclaim forms and explanation booklets on how to use it - backed by a personal advisory service. More is going to be heard from the unit trust industry on how children can invest in unit trusts.

Christine Stopp on the revival of a unit trust group

FOLLOWING the arrival of Peter Jeffreys as managing director, Baltic Trust Managers hopes to have put behind it a dismal performance record of several years' standing.

On going to Baltic, Jeffreys took over the helm and wrote to unitholders, not only to introduce himself, but also to explain some of the changes being made to trust portfolios.

What had been going on, since his arrival, was a series of decisive portfolio changes. When asked how long the major changes took, Jeffreys said: "A day. Well, everything of significance had certainly been done within two weeks."

The main changes consisted of eliminating excessively speculative positions - even at some cost - and reducing the concentration of many of the portfolios.

The Australian fund contained two stocks amounting to 11.91 per cent and 8.94 per cent respectively of the total. The whole portfolio numbered only 15 holdings. The very large holdings have now been disposed of, the typical percentage being reduced to around 2 per cent of the fund, and there are now more than 40 stocks held.

Jeffreys' philosophy is also informed by a certain degree of caution with regard to the immediate future. "I took over when world markets had done well. Although not bearish, I did feel a period of consolidation would take place and felt the trusts should be structured more conservatively."

All the trusts have now "received attention," with a

A new wave in the Baltic

BALTIC UNIT TRUSTS PERFORMANCE

Three-month figures are offer to offer. All others are offer to bid. All figures are income reinvested, and show growth for the period and ranking/total in sector.

Table with 4 columns: Trust, 3 months, 1 year, 3 years. Rows include American, Australian, Gilf and Fixed Interest, Global Market Situations, High Income, Income and Growth, International, Japan and General, Special Situations.

Source: OPAL

general reduction in special situations and small capitalisation stocks, as well as a trimming of the size of holdings and levels of portfolio activity. The emphasis now, says Jeffreys, is on good stock selection.

In addition to his own association with strong performance groups, Jeffreys can now count on the services of John Sweet who has recently joined Baltic from Prudential fund managers. Sweet will manage the Special Situations and UK income trusts. John Morton, who has moved over to the unit trust group from Fraser Henderson, will manage the International, Global Market Situations, and Gilf and Fixed Interest trusts.

Baltic is expecting to appoint a new manager for its American portfolio shortly, and is prepared to pay for quality. A Press release at the time of Jeffreys' appointment announced "remuneration packages of up to £50,000 a year, plus equity participation."

Two new trusts are at present awaiting authorisation: a European trust with a Scandinavian flavour, exploiting the Nevi link, and an American Income trust - dear to Jeffreys' heart as former manager of two such at Fidelity.

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CHESS

BEFORE THE Dubai chess olympics, few would have credited that England could run the apparently invincible Russians to half a point, the gold medals. At its end, the Soviet team were fortunate not to have finished an embarrassing third to the English and Americans.

England won 12 matches, drew 2.2 with the Russians and lost only to Spain, a drastic 1-3 reversal at a time when England were well in the lead. The Spanish coach, a USSR grandmaster, was officially warned for giving advice to a player during the game, while the Spaniards were loaned the Soviet individual files on their English opponents.

Final trials at the olympics were USSR 40/56, England 39/51, US 38/44, Hungary 34/44, Iceland and Bulgaria 34/44. Two years ago at Salonica, the top four finished in precisely the same order: but the Russians then, scored 41 points with England four points adrift and the US six.

In fact, it was Karpov on second board who was one of the weaker links in the Soviet team, for which Kasparov scored 34/41. The world champion had the best individual rating performance of 2.753 followed by Yusupov on board four with 10/12 and a 2.743 result.

and Fleur 2/3. Our two major successes were Murray Chandler, who won the fourth board silver medal with an overall rating (2.711) bettered only by Kasparov and Yusupov and Nigel Short, who was awarded the third board gold with a 2.702 performance.

Can the Russians be toppled in 1988? Support from bankers Duncan Lawrie has transformed England results over the past decade. Nigel Short at age 21 is still to reach his peak, so there is hope for further improvement. The US, too, will be stronger due to the steady rise of the talented young grandmasters Benjamin and Dlugy.

But the Russians have had a fright and will surely take heed of their near-disaster. They did so after losing the individual world title to Fischer in 1972 and after their only previous Olympic failure, against Hungary in 1978.

What will concentrate their minds is the simple danger of job losses. Dozens of USSR grandmasters, thousands of local youth coaches and a bevy of Central Chess Club administrators are beneficiaries of the state chess budget. The major justification for which is continued inevitable results. Even though Kasparov and Co scored their 4-0 against Poland in the final round, heads will surely roll among the team selectors.

White: M Chandler (E-20-2), Black: R. Vannias (USSR), Opening: French Defence (Dutch 1994), 1 P-K4, P-K3; 2 P-Q4, P-Q4; 3 N-QR3, P-N3; 4 P-K3, P-Q3; 5 P-QR3, B-B1; 6 N-B3, Q-Q2;

7 B-QN5, P-QB3; 8 B-R4, B-R3. This opening and subsequent moves may look strange, but they are all about bishops. Black's at QR3 is restricted by its own pawns so he wants to exchange it; conversely, White plays to avoid this trade and instead eliminate the opposing dark-squared bishop, which guards key squares round the king.

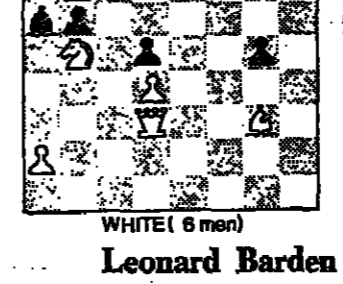
9 N-K2, P-R4; 10 Q-Q, N-R3; 11 R-K1, B-K2; 12 P-B3, P-N3; 13 N-B4, N-B4; 14 N-R3, B-QN4; 15 B-E2, P-B3; 16 B-N5, N-B3? (better Bx3, though White has the advantage); 17 B-B6, Bx3; 18 PxB, Q-Q1; 19 PxP, PxP; 20 N-B4!

An effective case of good/bad bishop strategy; Black suddenly has no defence, for if K-B1; 21 RxP!

20... QxP; 21 QxP, R-QB1; 22 QxP; 23 P-R3; 24 N-Q1, Resigns. White mates after PxN; 25 QxR or wins material by NxN; 25 QxR ch or RxQ; 25 NxQ ch and 26 PxB.

PROBLEM No 650 White mates in three moves, against any defence (by Dr K. Febl).

Solution Page XV

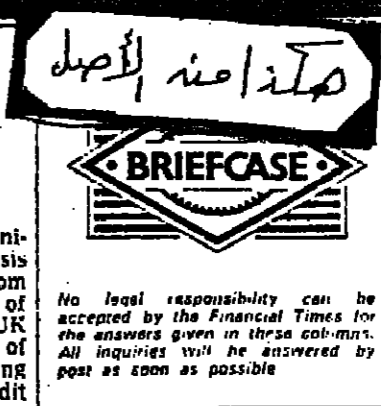


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No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Fighting a law bill

I am one of six beneficiaries under my late uncle's will. The necessary accounting and legal work have now been completed but final settlement is being delayed as the executors have queried the solicitor's charges. The solicitor did not agree that the bill was excessive and since he was not prepared to reduce it, he suggested to the executors that they contact the Law Society for a fair assessment if they still felt aggrieved. This they have done and the result is that the Law Society has quoted a much smaller figure as a fair charge. Following this, the solicitor has written to the executors informing them that he has requested the Law Society to supply him with a detailed statement justifying his assessment. In the meantime he has asked the executors to settle his bill (although he has not stated whether he is prepared to accept the lower assessment from the Law Society). Further he has asked the executors to agree to his charging interest for late payment at the judgement debt rate. He has also intimated that he will be charging for additional items of work which he completed during the period after the opinion of the Law Society had been sought. Is the solicitor obliged to accept the Law Society's assessment of fair charges? Should the executors pay late payment interest to the solicitor, even though the delay was not their fault? If so, should this be at the judgement debt rate? Can the solicitor make additional charges for items of work more recently undertaken, despite the fact that his statement to the Law Society claimed that he had taken full account of all outstanding items with respect to the estate settlement, in his charges? If the Solicitors' bill has been taxed down or has been the subject of an adjudication by the Law Society, the higher bill should not be accepted. Moreover, there is no right to claim interest on whatever sum is due unless there is an express contract with the Solicitors which states that interest may be charged in such circumstances. The Solicitors can challenge the Law Society's assessment, but until they do so successfully the amount assessed is all that is due.

The four-car family

We have been experiencing parking problems from time to time with some neighbours who moved into the district some four years ago. The 3-vehicle family enjoy the benefit of a single garage and two handy spaces in front of the garage to take cars. There are times when cars are either parked fully across my driveway or half across making it extremely difficult to get in or out. The situation is made more hazardous by a bend in the road and one can be left stranded in the middle trying to accomplish six to ten turns of the wheel to get in or out while traffic could at any time whip round the bend. The highway code states that one should not obstruct a driveway, but I understand that this has no legal obligation. When I have knocked on my neighbour's door and asked them to move a car, they have come so but at times their manner in responding to the request leaves much to be desired. I have tried to find out my legal rights from a local solicitor but she said these were very complicated to deal with and advised me to sort it out on a personal basis with the builder! What can I do? If the road in front of your house is still a private road you only have a cause of action against another person with a right of way over it if he makes it impossible to use the road. If it is a highway you can invite the local authority to take steps to prevent its obstruction but you cannot yourself bring proceedings. If the obstruction of a private way falls short of preventing its use, but nearly does so, you might have a claim, but that area of the law is still unclear.

bank confirmed in writing that this was correct and charged this amount to her account. In view of the fact that the bank had initially tried to charge some \$6.8 per cent more than it was eventually prepared to settle for and the fact that it was my fiancée who had been put to the trouble of correcting the errors in the first place she suggested to the bank that it might make some gesture in compensation—like waiving the charges altogether. The bank would not hear of it but agreed instead to waive charges of some £24 which were due to be charged to her account for the June quarter for a small, unagreed overdraft. Do you think her request was reasonable and if the bank cannot be persuaded to meet her suggestion for compensation on better terms is this a case for the Bank Ombudsman? Your fiancée's request was reasonable, but so was the offer of a waiver of the later charges. We do not think that further pursuit of the matter would necessarily lead to a better arrangement, although it might be helpful to others if the attempted overcharge were taken to the Banking Ombudsman.

Honoraria and tax

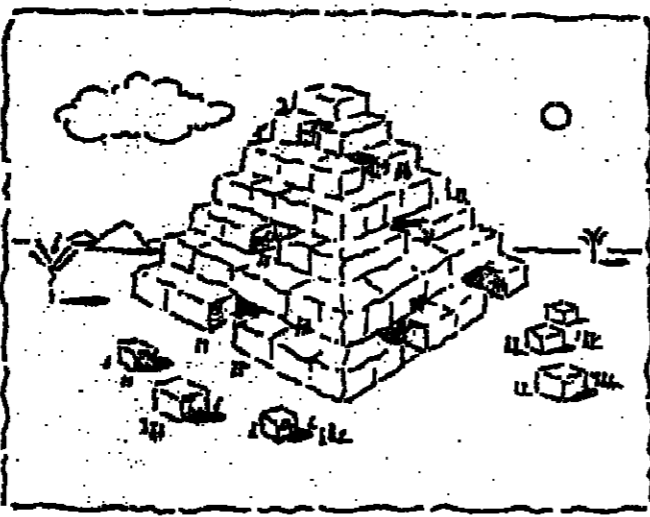
Over the past few months I have noticed that a number of small payments are now being called "honoraria" rather than fees, e.g. publishers asking for advice on a "manuscript." Another form of payment that is being offered by some publishers is in the form of hooktokens or hooks from their current list. Can you please advise me on the tax position of these forms of payment. Do I, for instance, include them in my tax return? Honoraria would be easy enough to list, but hooktokens or hooks? A Canadian university's £8100 honorarium was taxed at source for £815 as a non-Canadian citizen income tax. Calling a fee an honorarium is merely a way of saying that it is below the current market rate for the services to be rendered. Honoraria paid in goods are generally taxable by reference to the secondhand value of the goods, provided that there is no cash alternative. Book tokens may be taxable at face value or by reference to the secondhand value of the books acquired in exchange, according to the particular circumstances.

Trustees' charges

In his will my father appointed the trustee department of one of the big banks to act as trustee for his estate which he left in trust for my mother during her lifetime and then in trust divided equally between his children. The will specifies that the bank is entitled to make a charge at the rates applying at the date of the will (some 25 years ago). Since then the bank has changed the basis on which the fees are calculated and it has asked the beneficiaries to accept higher charges. If not and we refuse to accept them what actions can the bank take? The bank cannot force the trust to accept the higher scale of charges, but it may wish to retire from the trusteeship if a new trustee can be found.

In mother's interests

I was interested in your reply (November 8) under "Modest Small Fry." My mother sold some property four years ago and duly submitted her return. It took the Inland Revenue nearly three years to make an assessment and she is now being charged interest on the outstanding amount calculated from the date it should theoretically have been due (about three years). Our accountant says that the tax should have been paid at the due time even if an assessment was not forthcoming and that the Revenue's demand for interest is correct. When you say that your mother "duly" submitted her return, do you mean that she submitted it



Punting on property

That is, the present owners, will float off around a half of the equity in the building. There is a large amount of speculation surrounding the first Pined buildings, but nothing firm. The sponsors simply say that talks are advanced. At any rate the opening of this new market will at best be narrowly based. Individual potential investors will probably want to see how it develops. What they will want to know is that there is an active enough secondary market for them to sell their Pines. And they will be curious to see whether Pines hold their value against the offer price. Property company shares tend to trade at a discount to the net asset value of the company itself. The discounted value of property company shares is linked at least in part to taxation disadvantages. A property company is paying corporation tax on profits and advanced corporation tax on dividends. The Pines Association is keen to point out that rental payments from a single building—the income source of the Pine—go straight to the investor. Any tax an investor pays depends on the overall earnings of that investor. The difficulty here is that while higher dividends from a property company might offset an effective double taxation, the rental income from a Pine remains static. Rent reviews come once every five years, so the level of income from a Pine is set for lengthy periods. Presumably the traded value of a Pine will depend in part on where the building in question happens to be in the rent review cycle. And the value may also depend on the state of the building itself. A couple of decades ago owners were accustomed to thinking of refurbishing a property once every 10 or 15 years. Now it is necessary periodically to do it every 15 or 20. This means that Pines investors could be invited to put up more capital. The point here is that investing in a single property poses a different set of questions from investing in equities. In neither case are the answers likely to be foolproof. But Pines will not be the only way of putting funds into single properties. Plans are being worked up for a new form of trust whose sole asset would be a single property, but these plans are less closely defined than those for Pines. They have been dependent on the passage through Parliament of the Financial Services Bill. What both forms of investment have in common is a new way of indulging the taste for bricks and mortar. But the impetus for them has come not from the public at large, where the taste is home-based, but from the financial institutions, looking for new trading instruments, and from the property industry, trying to make a chunky market more liquid. Paul Cheesright

Table with financial data, including 'Baltic REFORMANCE' and various figures.

Advertisement for International Funds, featuring 'I get a high next month' and 'very month'.

Large advertisement for Unit Trusts, titled 'EVERYTHING YOU NEED TO KNOW ABOUT UNIT TRUSTS'.

Advertisement for N M Rothschild Asset Management, titled 'WE'RE BACKING BRITAIN. ARE YOU?'.

"THE LAST time I came down here I was taking sailors back to their boats..."

A bored policeman standing guard over a temporarily picketed area...

There are dumpers, and tower cranes, tipper trucks and diggers milling in and out of sites...

His cab radio controller thought we had strayed right off the map...

The police were out in force and the builders had stopped to gaze because another Royal was out east for the day...



The Tower Bridge Wharf development on Wapping High Street, where one-bed studios sell for £165,000 and three-bed penthouses cost £485,000.

Facelift that's worth a fortune

John Brennan assesses the revolution transforming London's Docklands

committal words of congratulations. The Royal visitor toured on, stopping for lunch in one of the studio flats in a block Laing had sold to the Orbit Housing Association...

Built on a London Docklands Development Corporation site, facing the listed wooden skeleton of the Tobacco Dock, a Covent Garden clone that should have its outer frame restored...

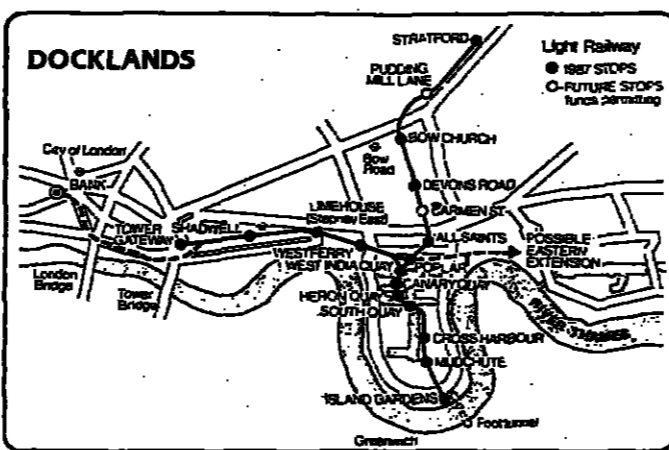
Wainwright's figures explain why four-bed houses sold for £95,000 on the open market for £75,000 to locals, otherwise sell for £110,000...

well as cross-checks with the LDDC and with other builders' sales teams in Docklands...

Laing has another couple of acres of housing in Bow - right by the closed, but still standing red-brick mill that was the Bryant & May factory...

Urban reclamation on the scale, and at the pace of building in Docklands, creates the confusing impression that any new building in the riverside postcodes of E1, E14, E6 or E16...

The office of Martin Carleton Smith, whose Docklands agency business made the switch from Mayfair a decade before his West End rivals...



side houses. From there he can look east beyond the tower crane over Tobacco Dock, past Laing's distinctive housing scheme, to a fast filling jigsaw of sites around the filled-in area of the former Western Docks...

ramme, with its controls on prices and, consequently, upon the standards of housing. A veneer of high cost housing along the Thames is seen by some locals as a barrier just as unscalable as the walls that hid the water when the docks were live...

close to central London, and the only real limitations on construction are spiralling site costs, and the problem of finding and keeping skilled building workers.

The builders find it hard to get contract labour to stay with a scheme from start to finish. Before the tiresome business of completing a site hoves in view, the building workers are off to the next job...

Over the road, in the flat block that was built for council tenant purchase as part of St Katharine's scheme, a "D" registration BMW edges its way out of the flat's car park ahead of a patched "Y" registration Ford Capri.

Yes, Carleton Smith confirms, quite a few of those former council tenant purchasers have since been sold to incomers. Those two cars - one in Wapping via Bavaria, Park Lane, and company car tax breaks, the other a distant exile from Ford Dagenham via seasonal used-car lots - neatly sum up the current economic mix of the block.

Limehouse is an early area for gentrification, and one that has drawn some of the more expensive riverside schemes. From Keeper Wharf, with 25 vast four-bedroom apartments in a relatively modern former paper warehouse, there are film-set views from this northern curve of the Thames west towards Tower Bridge and the City, east to the Isle of Dogs. The south

bank there has little to offer as far as views are concerned at the moment. But it should be a building vogue's delight as work starts on a whole stretch of Southwark waterside flats.

Carleton Smith expects to get £360,000 for those Keeper four-bedders. And David Goldstone, chairman of Regalian Properties, evidently agrees with that room rate as the going price for quality flats in Limehouse.

Options to buy on that scheme are non-transferable, a move that should deter the resident flat dealers, whose activities in Dockland have plagued the affordable housing builders, but which have helped to create a useful futures market for the developers of open market housing. Those developers' only concern is when the traders haven't sold on fast enough to have the cash available.

London Property

Advertisement for Chesterfield & Co. featuring a large image of a residential development and text: 'PHASE I RELEASE - ONLY 3 REMAINING SHOW HOUSE OPEN DAILY 11.00 AM - 4.00 PM'.

New Homes

Advertisement for 'Your brand new home' with details on showhomes and contact information for Frank Harris & Co.

Advertisement for Collins Residential in Docklands, highlighting a selection of flats and houses available.

Advertisement for City of London, offering a selection of flats for sale and let.

Advertisement for Carleton Smith & Co. and Debentham Tewson & Chinnocks, promoting 'The City on your doorstep and the Thames for your garden'.

Advertisement for Marsh & Parsons, listing various properties for sale in areas like Ardington Villas and Hereford Road.

Advertisement for Sturgis, featuring a property on Regent Street with a show home open on Saturdays.

Advertisement for Tower Bridge, offering a hi-tech flat with a massive 30 ft reception area.

Small advertisement for Country Property.

Advertisement for Fountain Forestry, offering 313 acres of forestry in Avshire.

Advertisement for Fisher Hoggarth, featuring agricultural investment near Cirencester.

Large advertisement for Chelsea Cloisters, described as 'The Businessman's home from home'.

Advertisement for Knight Frank & Rutley, featuring The Priory Country House Hotel in East Sussex.

Handwritten signature or note at the bottom of the page.

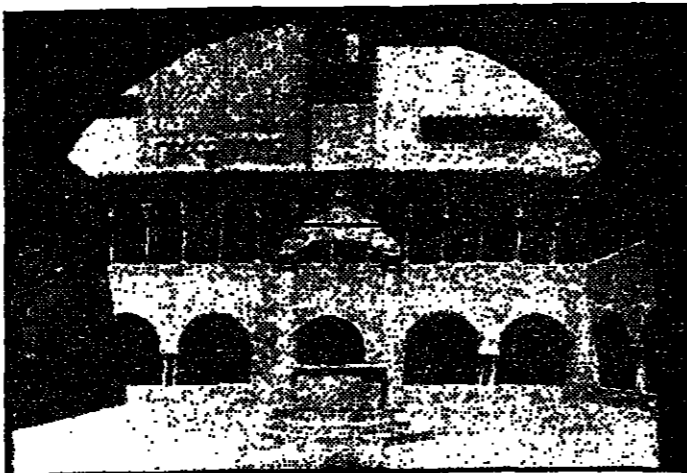
MOTORING TRAVEL

Cindy Selby visits Bologna where there's much more than sausage and sauce

Leaning and learning

"City breaks" are booming. Apart from the statutory Paris and Amsterdam, holiday brochures now feature Bruges, Lisbon, Bern, Seville, plus a host of other cities which are more or less off the beaten track.

alarm clocks of neighbouring guests bleeped through the bedroom walls. But the Hotel San Donato otherwise has much to recommend it: a central location, courteous service and a small roof-terrace restaurant—the ideal place to get one's bearings.



The pavements are covered with stone arcades

There was nothing leisurely, though, about the start of my trip to Bologna. I had made the mistake of hiring a car. This was going to be a "long weekend" (Friday to Monday) and I reckoned that a car might be useful on Sunday, say, for a countryside picnic or a drive to Parma or Ravenna. In the heart of rich Emilia Romagna, Bologna would be the ideal starting point for excursions.

There are terracotta roofs, copper domes (pale peppermint green), and leaning towers—a peculiarity not confined to Pisa. Bologna's tallest tower, degli Asinelli, leans three feet off centre. Its shorter neighbour, Torre Garisenda, is even more askew, tilting ten feet in the other direction. These two towers and a dozen more are all that remain of some 200 towers erected during the 13th century by the rival grandees of Bologna. But nobody had one up on the Asinelli. Their tower was always the highest. Despite its jaunty angle, energetic visitors can still climb the 500 steps for a marvellous view of the rust-red city.

square noted for its fine arcaded palaces and for the massive bronze statue of Neptune—the favourite perch of the local pigeons. The birds and the walkers have the time to themselves. No traffic fumes, into the sidewalk cafes or down the sound of the maddening bells. This incidentally, is the time to visit San Petronio—the enormous church on the southern side of Piazza Maggiore—for at noon the sun gleams through a hole in the dome and falls fair and square on a copper line, a 17th century calendar running 70 metres along the floor of the nave. The underlying stone is embellished with dates and astrological symbols.

Curiouser and curiouser are the Museum of Toy Soldiers; Casa Isolani—a Gothic 15th century house perched upon high wooden posts; the stone carvings of naked crouching men and double-tailed mermaids in the exquisite Church of Santo Stefano; and the historic wood-panelled Theatre of Anatomy where corpses were dissected, always in winter and sometimes during the February carnival. For all these singular sites, Bologna is a harmonious city. The old quarter is built

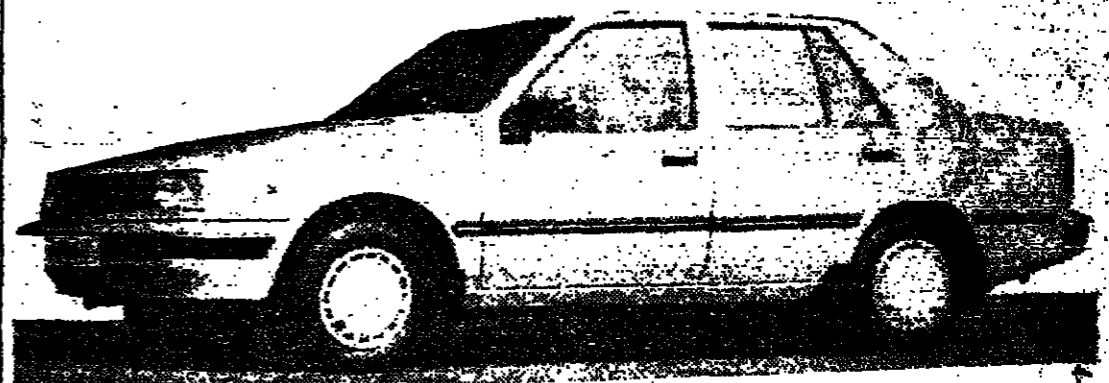
uniformly of neat red bricks and the pavements are covered with stone arcades. The university also makes the record books. Dating from 1067, it is the oldest in Europe. The present roll numbers 60,000 students. Their high spirits give pep to the city, while their low incomes have prompted the development of cheap bistros.

The shops are up-market, both in quality and price. The food stores dangle salamis from the ceiling and sprinkle sawdust on their marble shelves. The shoe shops are carpeted, elegant, smelling agreeably of leather; nothing plastic changes hands apart from credit cards (which will do nicely for all major purchases and meals). The chocolate shops, dating from the 18th century, glow with mirrors, brass railings and polished wooden shelves.

The Bolognae have contributed greatly to their country's progress. They make pasta and machinery and promote conferences, trade fairs, and tourism. In the height and heat of summer the Bolognae take to the sea, and the city loses its zest. So to get the sauce and the seasoning, avoid the summer.

The Bolognae have contributed greatly to their country's progress. They make pasta and machinery and promote conferences, trade fairs, and tourism. In the height and heat of summer the Bolognae take to the sea, and the city loses its zest. So to get the sauce and the seasoning, avoid the summer.

Stuart Marshall tests a Korean import



The Hyundai Pony... lacks finesse but the price is right

Who needs perfection?

IT WAS just like a Japanese car, even down to the orange figures on the mileometer that were difficult to read in daylight, next to impossible at night. The most obvious difference between the Korean Hyundai Pony 1.5 GLS automatic I tested recently and a Toyota Corolla of broadly similar specification was a certain lack of finesse—and a price about £1,000 lower. The price is £8,350.

reliable and easy-to-drive car, probably wants.

The Pony was nippy in traffic and reasonably relaxed on the motorway, though the automatic model's overall gearing is on the low side at about 20 mph per 1,000 rpm in top. The 71 horsepower Mitsubishi-designed engine gave me around 30 miles per gallon of two star. Fuel economy would have been better if I had not kept up with the 80-85 mph pack on the M25 and had so many slyt runs around town with a half cold engine.

The three-speed transmission changed up and down smoothly enough at moderate throttle openings but was jerky when manoeuvring with the engine running fast on choke, or if kicked down into second at full throttle on a hill.

The steering was light at speed, quite heavy going from lock to lock when squeezing into a confined parking space. In most respects the Pony scored average or better-than-average points. The seats were resilient, the ride firmly comfortable and the British-made Michelin 70 series tyres held on nicely in the wet.

Body finish was much better than East European, not quite up to the best European or Japanese standards. But, I suspect, would give owners a look the odd, less than perfect panel joint if the price of the car was at least 10 per cent lower than that of a competitor. Hyundai has 180 dealers and offers a three-year, unlimited mileage warranty, which is unmatched in its price class.

Don't be caught cold

EVERY WINTER, the first cold snap catches millions of motorists unprepared. So far, this one has been kind to us. Last year, we had already had our first snowfall in the south east by mid-November.

Nearly all cold weather motoring problems are avoidable with a little forethought. For example, has your car been less than eager to spring to life first thing? If so, do not ignore the warning. It means either that your battery is in poor condition and not holding its charge, or that the car's electric need looking at. Elementary? Of course, but how many of us look the other way and hope for the best when an engine has to be coaxed into starting?

Equally, if your car is overdue for a service, book one today. Neglected cars will keep running in mild weather but the first hard frosts will stop them in their tracks.

Now is also the time to check the screenwash reservoir and add some antifreeze to the water. Not radiator antifreeze, that will ruin the paint. Any filling station or accessory shop has suitable additives for screenwashers but I find good old-fashioned methylated spirits ideal. One third meths to two-thirds water, with a tiny drop of washing-up liquid, will keep a screenwash unfrozen and the glass unmeared in the coldest weather we are likely to have.

Do you have a container of ice clearing fluid for the windscreen? If not, get some today, plus an aerosol can of WD-40 or similar water repellent. Sprayed on a damp ignition system, it will often persuade a maulish engine to start.

Perhaps the most useful winter accessory of all is a soft household brush, no Scandinavian motorist, who has to cope with snow for months on end, would be without one. They use them to sweep snow off the roof, bonnet and boot before driving away in the morning. If left uncleared it only blows about, affecting visibility (yours and other drivers') and the heater cannot work properly if the air intake is blocked.

And brush the snow off your shoes before driving. Otherwise your feet may slip off the pedals, which is dangerous, and it will make a soggy mess of the carpet which the heater will turn into steam to mist-up the windows.

Any car in reasonably good condition should not have starting problems in low temperatures. If the engine will not fire up promptly, do not keep grinding away on the starter and hoping for the best. All you will do is flatten the battery and flood the cylinders with petrol. Leave the wretched thing for a few minutes while you have another coffee. Then, if it has a manual clutch, push it in, press the accelerator pedal gently down to the floor and try the starter again. That will often get a petrol-flooded

engine going. And it will save you the embarrassment of seeing the AA or RAC mechanic get in the car an hour later, turn the key and make it start the first time because the plugs will have dried out.

There are a few simple rules about driving on snow, too. Do not be too timid and never stop unless you absolutely have to, especially on the approach to a gradient. Drive as though there was an egg between your right foot and the accelerator pedal. Avoid heavy braking as well as fierce acceleration. Do not let an automatic kick-down into a lower range; never turn the steering wheel sharply; and if you have a rear-wheel driven car, try keeping the handbrake applied lightly as you move away from a standstill. It acts like a limited slip differential and restricts wheel spin.

If your tyres are getting near to the 1mm minimum tread depth, change them now. The shallower the pattern the less a tyre can grip in heavy rain, snow or slush. Do not be tempted to lower the inflation pressure. With modern radial tyres, it does not help.

Cars with permanent four-wheel drive and centre differentials or viscous couplings like Audi quattros, Ford Sierra and Granada 4x4s and the latest Honda Shuttle estate are in their element on snow. Remember though, they still depend on adhesion between tyre and road and that four times nothing is still nothing. In the hands of an insensitive driver, a 4x4 will go out of control at a higher speed. Selectable four-wheel drives like the Subaru or Fiat Panda 4x4 with the power switched through to the back wheels are nearly as good. When the roads are snow covered, they may be left in all wheel drive without any trouble but if you find yourself on clear, dry roads, disconnect the rear wheel drive to avoid handling peculiarities and wear and tear to tyres and transmission.

If you have to make a long trip in an arctic spell, a small, low powered car may be a better bet than a large and potent one. The V-rated tyres fitted to the fastest cars can have very poor grip on snow and ice because of their stiff construction and speed-resistant tread rubber. There is nothing worse than getting stuck in a tigrish car because the tyres will not grip on snow and ice while Minis and their like run rings around you.

TO SAY that the food of Emilia Romagna is dominated by pasta and pig is to make a crude generalisation from an underlying truth. Bologna (so aptly known as la grassa, the fat) gave its name to Italy's best-known sauce and thence to its most famous pasta dish. Yet you will often find menus on which spaghetti is not mentioned.

In Emilia, pasta is about tortellini, small, round sachets, fashioned in the image of Venus's navel. Often approaching the texture of filo pastry, they are wrapped around cheese, meat and/or herbs, as with ricotta cheese mixed with native herbs found only in secret fields. Or it can be tortellini, larger envelopes, usually filled with ricotta and probably topped by parsley or a walnut sauce. Then there are succulent ribbons of green tagliatelle, covered with smoked salmon, a-paragus tips,

and a warm, charming ambience. A memorable lunch was about £12 a head with wine. Among an abundance of outstanding restaurants we enjoyed it most, though others might prefer some of the fine ones of Bologna, such as "Tre Freccie", "Cesari", "Cordon Bleu", the very old "Pappagallo" and the very local "da Nello". In a former farmhouse among meadows of buttercups near Modena, Villa Galetti, an eight-course meal included more specialities like featherweight, blown-up rolls called crescentine, fruit-filled pastry called crosata and grana cheese.

To see the making of the star cheese, Parmigiano Reggiano, we had to rise early. The men tending 14 boiling cauldrons were at pains to explain that this was not any old tart parmigiana to be grated over pasta. The crumbly interior is encased in rock-hard crusts that disclose the progress and quality of the big cheese wheels when they are hit with a hammer. It is two years before the best are released to be eaten as a treat before, with or after a meal, or just with wine.

The local preference is for young wines, especially fizzy Reds like Lambrusco, the best of which come from around Modena and Reggio Emilia. But more exciting things are happening in the northern foothills of the Apennines, just south of Bologna. There, on the Torre Rossa estate, we met the daughter of Enrico Vallania, who was one of Italy's most

respected innovators with wine. She is carrying on her late father's successful production of varieties more usually associated with France: notably Cabernet Sauvignon and Chardonnay.

The other noted offering of the local grapes is that very special vinegar now sought after by foodies far from its home in Modena. As it is aged to five, then 12 and sometimes 40 years aceto balsamico comes to taste more and more like a sweet, mellow liqueur, to be added in small quantities, not just to salad dressings, but to, say, veal, strawberries or ice-cream.

Giuseppe Cattani, who costs 1,400 casks on four floors of his home, told us he sets up in the night just to look at them and sheds a tear when he sells a cask. He seemed to epitomize perfectly the emotions of the Emilian gourmets.

Alan Ponsford

London Property

Advertisement for London Property featuring a large photo of a man in a suit and a woman. Text includes 'BUILT ON THE QUALITIES OF LIFE', 'THE SMARTEST MOVE IN THE CITY', and 'Luxurious bedrooms'. Contact information for Bovis Homes is provided.

Overseas Property advertisement for SWITZERLAND. Features 'EXCEPTIONAL' properties in the Alps, 'DUPEX APARTMENT' with 1 living, 2 bedrooms, and 'LAKESIDE' properties near Lake Geneva. Contact: REVIC S.A.

Travel and Holidays Overseas advertisement for ACAPULCO. Offers '12 NIGHTS FROM £499' to the Mexican Caribbean. Includes Continental Airlines Tours.

Hotels and Self Catering advertisement. Lists 'LAGRANGE VACANCES' (self-catering specialists in France) and 'MANSION HOTEL' (123 West 57th Street, NYC).

UK Hotels advertisement. Promotes staying in London with luxury service apartments. Includes 'HOLIDAYS AND TRAVEL ADVERTISING' services.

Motor Cars advertisement for ASTON MARTIN ZAGATOS. Offers '2 NEW SUPER CARS FOR SALE BY PRIVATE ARRANGEMENT'.

BRIDGE advertisement. A card game advertisement with a list of names and scores: 'N 49862, S 65, AKJ94, 5'. Includes a signature 'E. P. C. Cotter'.

BARBICAN advertisement. 'RARE OPPORTUNITY TO ACQUIRE LARGE DUPLEX PENTHOUSE ON LONG LEASE'. Contact: City Executive of City Company.

LANCASTER GATE W2 advertisement. 'Close to Central Line Station and Hyde Park. Luxury 4th floor flat: 2 beds, 2 baths, low repair, kitchen, CH, Video-entrance, New furniture, machines and decoration. Available now for long let. £330 p.w. (negotiable) home affairs 01-785 3162'.

Country Property advertisement. 'APPROX. 19 ACRES DEVELOPMENT LAND'. Details from: 0732 452246.

N. KENT advertisement. 'APPROX. 19 ACRES DEVELOPMENT LAND'. Details from: 0732 452246.

BETHERSDEN advertisement. 'Nr. Tottenham, Kent. Offers in region £185,000. Superb Grade II listed former farmhouse in tranquil village location. HIGHLY RECOMMENDED. Wealth of exposed beams & inglenook fireplaces. 5 beds, 3 recep., 2 baths, 1 acre. COUNTY GROUP ESTATE AGENTS, PLC (0980) 3233'.

Rentals advertisement. 'Company Lets—Short and Long NEAR MARBLE ARCH Fully Serviced Apartments'. Prices: 1 BEDROOM from £150 pw, 2 BEDROOM from £250 pw, 3 BEDROOM from £350 pw.

HORNER HILL advertisement. 'Incorporating Mays Rental Warlingham Surrey Fully furnished cottage style house with 3 reception rooms. 4 bedrooms, 1 bathroom. £850 p.c.m. Available now. Tel: (037284) 3811. Telex: 8955112'.

Mayfair/Kensington advertisement. 'LUXURIOUS FLATS/HOUSES TO LET'. '1-4 bedrooms, fully furnished/equipped. Private telephone line, T.V., C.H. Suitable for corporate tenants/overseas visitors. Telephone: 724 5067 (daytime) 493 4786 (eves/weekends)'.

CASCADES advertisement. 'DOCKLANDS—Phase One. Contact for 3rd floor, 2-bed flat. Very nice exchange required. Tel: 01-465 6765'.

KATHARINE DOCKS advertisement. 'Contact for 2-bed, 2-bath, 2-bed flat. Very nice exchange required. Tel: 01-523 3101'.

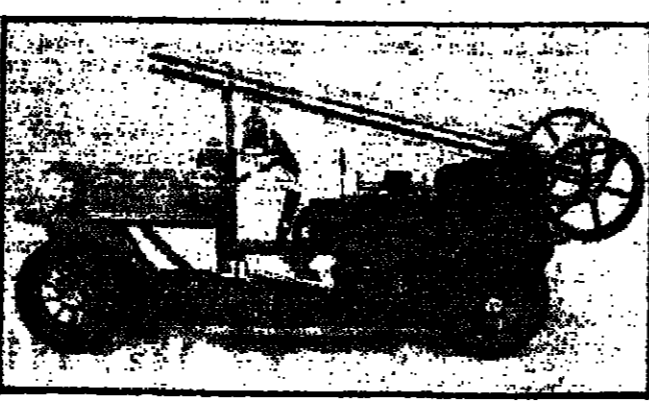
DIVERSIONS

Weekend rediscovers the essential Christmas toys of childhood

Play it again, kids

Lucia van der Post... HOW TO SPEND IT... MY CHILDREN seem to be only just off their bicycles...

Mecano sets seem to belong to another age... Even they would have trouble recognising the kind of childhood we have...



For boys of all ages and sizes—a live steam fire engine that is a perfect replica of an Edwardian fire truck...

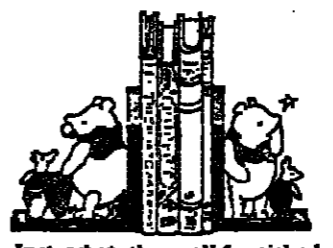
Just before we all begin to despair of modern youth, the good news has arrived that teddy bears are back in favour... Bears are still top of the pops...

eyes and open their mouths and they come with a very uncloudy price tag of £59.99 a time...



Stippled doll's house from Whatsoever Things: £39.25 and order it in pink, blue or green.

The Good Book Guide to Children's Books costs just £4.50 and could be a good investment if you have a number of children on your present list...



Just what the well-furnished nursery needs—Pooh bookends: £18.45 a pair from The General Trading Company...

Whatsoever Things, 17 Gyllyngvase Terrace, Falmouth, Cornwall (0326-318 328), produces some absolutely charming toys of the heirloom sort...

Street, Witney, Oxfordshire (0993-2816) has a large population of bears from Ruperts and Poohs and genuine 1904 replicas of original Steiff bears...



Teddy bears from "Teddy Bear," 99 High Street, Witney, Oxfordshire.

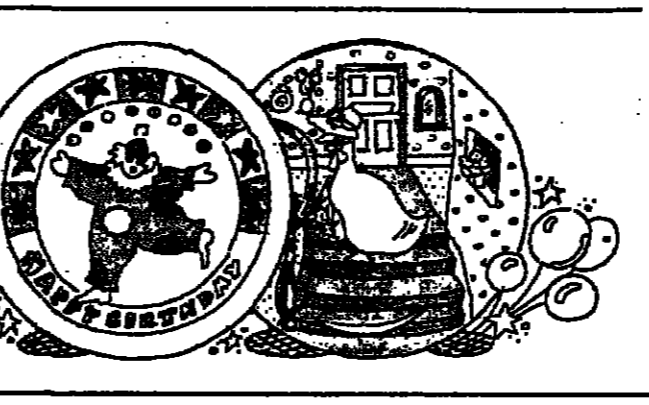
The Nursery, 103 Bishop's Rd, London SW6 is the sort of children's shop parents will love—antique children's furniture...

For a very special jumper, try the craft market at London's Covent Garden—Christie Suggden (there on Saturdays and Sundays) makes wonderful knitted clothes for children...

ht cold... engine going. And it's not you, the embroiled driver, who's up to the best European...

HIGH seasons for children's parties seem to be the summer (presumably in the wild hope that it will be fine enough to keep all the mess out of the house) and Christmas...

on the washing-up, Kensington Carnival has it all. There's a useful little book called Let's Have A Party and lucky dip bags full of prizes...



Asquiths of Windsor, 10 George V Place, Thames Avenue, Windsor (0753 654 954) also specialises in bears and has a mail-order catalogue...

Saleroom

It's what you paint, not how

IF MONEY ruled the world art historians would be redundant. For all their academic efforts they have been unable to persuade the rich that the finest paintings of our millennium have been by the Old Masters...

In successive weeks London has been home to its most important art sales in years. First came the Impressionists and moderns: Sotheby's and Christie's...

Last week it was the turn of the Old Masters. They put up a mixed performance. The auction houses did their best by placing low estimates on the top paintings...

The art establishment must think it odd that a Manet fetches a higher price than a Rembrandt, especially as Manet, although far from being the most prolific of the Impressionists...

So the end of year report for Old Masters is that they are starting to grow in popularity again, but from a low base. At least this stope masterpieces from British collections...

It was subject matter that killed the two Frans Hals which Sotheby's offered on Wednesday. The experts drooled over them. They are in excellent condition and have a provenance stretching back to the 1620s.

Antony Thorncroft

Alan Cane reports on a new development in home computers

Take me to your Red Leader

ALONG WITH ten or fifteen thousand other people, I cut my computing teeth in 1978 on a home computer called the MK14. It came in kit form, it cost the ludicrously low price of £39.95...

uses, they added airily, were limited only by the user's imagination. And his or her skills as an actuary, educational psychologist, electrician, plumber and data processing professional...

Three "red boxes" and a home computer (in this case a Commodore 64), equal a domestic security system. Red Two (II), the sensor, detects movement in the room; it alerts Red Leader (RL), the control computer...

Try knitting without needles

KNITTING MACHINES have always frightened me a bit. They look like some strange and ugly species from outer space, with leering antennae, splayed legs, plastic bodies and lots of dials that threaten you...

happening under the carriage, so when it jams you must lift it right off and start the roll again. All three machines jammed on occasion, especially when I was experimenting with yarns.

IN STITCHES Machines are easier and more fun to use than they look—and cost-effective, too. KAREN ELDER feeds mohair to the clicking cogs and gets hooked

works on a slightly different principle—instead of the yarn feeding in as you go along, you lay it across the open needles. This can slow things up a little but it achieves a nice natural but even tension. It will handle most of the thicker yarns as well as producing good results with double knitting wool.

are clear, though I would have preferred one volume to the five little books. A regular magazine with lots of tips and patterns is available and provides access to the inventor, Roger Curry, whose response to comment has resulted in improvements and attachments being produced at the request of users...

Personally I liked the BOND best, especially with its extension kit. So that things like rugs can be knitted, and the ribber adds another whole dimension of possibilities. The price is also persuasive, but I think the Zippy is probably what I would choose if buying for a teenager wanting to make instant fashion...

The BOND (100 needles, plus extension kit (extra)). Made in England £78 has been exceptionally well thought out. It is not a smart machine to look at and needs care in operation until you are familiar with it, but the end results are worth the extra effort. You can see what is going on inside when it jams by just lifting off the handle and I found this very helpful...

DIVERSIONS

Archaeology

Gerald Cadogan visits a London exhibition that puts history into a fresh perspective

WHAT IS new out of Africa in archaeology? For one thing, it is at last freeing itself from the habit of looking over its shoulder at Europe. Its time charts, for example, no longer need a column of Old World contemporary events to put African history in the picture. This changed a few years ago with the study of the world's oldest men, which is what most people associate with African archaeology. Now, it has percolated to its more recent archaeology—at the same time as that discipline is separating itself from African anthropology which has been tied to Europe because the observers have been European. Another fresh idea in East Africa is that we should stop concentrating on the land mass and look instead at the Indian Ocean as an inland sea like the Mediterranean. For instance, Shanga, on the Kenyan coast, has recently produced Chinese pottery and the oldest mosque in East Africa (950 AD). And Madagascar's links with cultures thousands of miles away from the South Sea to the Red Sea, make an equally strong case, explained in a new exhibition called Madagascar, Island of Ancestors, at London's Museum of Mankind (until 1983).

The Indian Ocean Rim is in fact, an old idea. The Greeks and Romans knew about trading round it. A notable document is the 1st century AD Periplus (Circumnavigation) of the Red Sea, describing the coastal routes from Egypt to India and East Africa. By the time of Nero (54-68) the Roman empire had a bad balance of payments deficit because money was leaving the economy and going East to become bullion. The gold coins found in India were defaced by punching, so that they could not continue to be used as currency. Back came exotic substances the Romans needed: silk, pepper, spices, ivory, semi-precious stones, pearls and gum arabic.

New discoveries (as at Shanga) and their meaning were the theme of a recent symposium in London of the British Institute in East Africa, which is based in Nairobi and supported by public money (£163,000 in 1983/84) dispersed by the British Academy. Lively papers showed keen research—and good value for the taxpayers.

In south-west Kenya, P. T.



An ancestral surma, or hokkina, in Madagascar—part of the London exhibition. Island of the Ancestors

Africa's new look

Robertshaw has been tracing the spread of cattle farming in the late Stone Age. That is fairly recent—the change to iron is now dated to 200-300 AD (in the Eastern Highlands of Kenya). Did the Stone Age cattle come from the Near East or North Africa?

They were not native; nor were the sheep and goats and probably not the donkeys, either. Robertshaw suggested a spread from the Sahara. Were the people also arable farmers, since the Kenyan country is good for millet and sorghum as well as for cattle? They might have been, and could have used their stone axes as hoes.

Christianity also was an immigrant into East Africa. Derek Walsby has dug at Soba (near Khartoum), the capital of the early Christian kingdom of Alwa. A surprise is a large tenth century building underneath the town's churches, with a mud brick pulpit. A pot was found with a barrel body like an elephant, and textiles with gold thread in the weave. In the crypt were decapitated skeletons, the skulls aside in a corner. Did a martyr cult make the place holy?

If Soba on the Blue Nile was one gateway from North to East Africa, the sea was an easier one. It spread Islam and trade. Mosques have long been known of the Portuguese period and earlier, but now Shanga is giving the early evidence for the new belief.

Shanga is a large settlement near the Somali border among mangroves, dunes and sand Bats in the homeland of Swahili oral tradition. From Shanga, monsoons could take traders to Arabia, the Gulf, and on to India. But it is still a surprise that the best tool for dating its complicated history comes from very far away—pottery from China. The china shows that Shanga was settled around 800 and abandoned around 1400.

A short period around 950 saw a remarkable burst of prosperity. Buildings were in stone and chief among them was a small mosque, similar in plan and size to mosques at Siraf in Iran—a major staging post for Eastern trade—and in Iraq. It is the oldest archaeological record of a Moslem community in East Africa, and probably belonged to African converts rather than Arab settlers. Foreign ideas take root easily in a port.

Glass, Farinoid coins and Sassanian pottery are other relics of trade. What did Shanga supply? And how could it afford stone buildings of apparently imported coral? The explorer, Mark Horton, has an ingenious explanation for its 10th century heyday. That was the time of the rise of ivory carving in Spain (with the Cordoba school), Byzantium,

and the Holy Roman Empire. Elephant tusks were clearly reaching Europe. Could they not have come from the hinterland of Shanga? The exhibition, supported by the British Museum Society and Air Madagascar, and with loans from Madagascar, explains what is so difficult for us to grasp: what Malagasy culture means to the Malagasy, the connection between this life and the next, and the ever-present power of ancestors.

Madagascar's links cover the Indian Ocean. Malagasy words are akin to those of Indonesian dialects, suggesting that the island was settled from over the ocean, and in the 1st millennium AD. But there are also Arab and Swahili words, and Arabic script. The horizontal loom supported by a backstrap has Asian links, as does the outrigger canoe (in south India, Sri Lanka, the Maldives and Indonesia).

The exhibition is a happy one (filled out by a book of the same title by John Mack: British Museum Publications, £8.50/£4.95 at BM bookshops). There are noises of birds and villages, Malagasy music, reconstructed houses, tombs and a village, and pictures of the animals and the diverse countryside of an island 2.5 times as big as Britain. It all transports the visitor mid a euphoric reminiscent of Gauguin. I am ready to go there tomorrow.

NOWADAYS, jockeys are allowed to tip horses in the same race as their own. Is it insider trading, if an author-publisher books which compete with his own in the great Christmas handi-caps? This year, I notice that the horticultural field has changed its character. Publishers in the big houses seem to have had enough of gardening, which quite a few of their editors of garden books do not particularly enjoy.

Instead, they are offering books about gardens. You can buy the handsome Private Gardens of England by Penelope Hobhouse and also her helpful National Trust Book of Gardening (Michael Joseph, £14.95); several counts and countesses have followed up with Private Gardens of Germany (Weidenfeld at £30); Rosemary Verey is following up with the American Woman's Garden (Hutchinson at £25). Hutchinson also has the enjoyable Garden and Patrick Bowen at £18.95. None of their production excels last year's Vision of Paradise by Maria Schim from Thames and Hudson at £25.

As a gardener, not a spectator, I do not think that any of these books is a winner. The production is usually excellent and the prices allow you to buy at least three good magnolias for the price of each book. In some cases, I do regret the tendency to snobbery, though Irish Gardens is not guilty here. Fundamentally, I feel that these books are not so much books about gardens as about garden photography. Even Penelope Hobhouse's text takes a distant second place to the sequence of colour plates. Beware of the distortion. People expect to be inspired with specific ideas from these books, but the camera tells some dreadful lies.

Nowadays, photographers aspire to be artists and whenever these artists take a picture of my garden they make it look quite different and much better

than it really is. When visitors to famous gardens admit disappointment with what they "really" see, a famous photograph has often pre-conditioned them. Of course, "reality" raises all sorts of problems: Is a camera-shot less "real" than a visitor's memory? However, these tidy private gardens do trade on the illusion. They show only the garden-views which are sumptuous, misty, wide-angled or atmospheric, celebrations of a season which rival a well-written paragraph by H. E. Bates. Very seldom do they prod me into action.

Penelope Hobhouse's National Trust book is the best, because

it confronted the professional working gardeners in most of its sites, but their comments are sometimes rather vague and squeezed out by pictures. The snobbier books trail the field. Their owners either depend on trained gardeners who do not write, or else they are too shy, or too uncertain, to write well themselves.

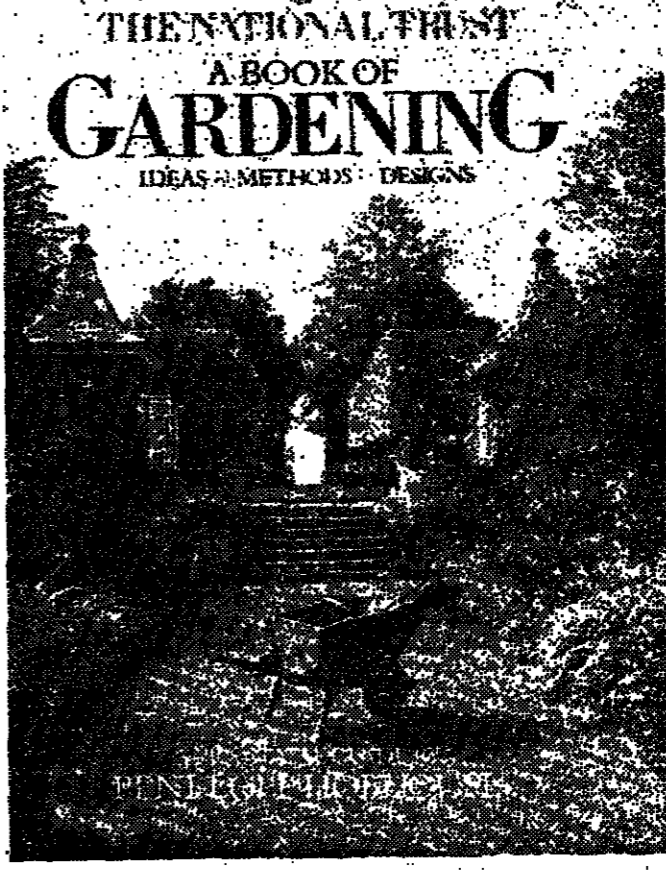
If you want to improve your garden, you cannot beat a straightforward book about gardening. Nothing beats the traditional text written with love of experience, preferably both. I have still to find a new approach which turns the whole subject round and really teaches us to see it in a way which

nobody has. The publishers of the broadcaster, Stefan Buczacki, imply that they have such a rarity. However, his Ground Rules for Gardeners (Collins £12.95) claims to be a book of "garden ecology". But practical gardening books have always been about that, anyway, and I have yet to learn anything new from sections entitled "vegetational succession".

Conservationists are jostling the ecologists for the title of the new horticultural perspective. Their leader, Christopher Brickell, is much too good a plantsman to write a bad book but his Vanishing Garden (Murray, £15) is not quite the book I have been looking for: its main thesis is conservation, singling out the old and endangered or lost forms of flowering plant. It turns into an alphabetical catalogue, the besetting weakness of so many general gardening books, which expect to be read, not consulted. Quite often, I cannot see why his choices are "vanishing," or if they have vanished, why we should be distressed by our rejection of some old secondary variety, superseded by later discoveries.

Having elbowed most of the field out the rails, I ought to name my winner. It is an author's first book, written at the age of 27, with which I have been having a love-hate relationship all year. Stephen Lacey, author of the Startling Jungle (Viking; £12.95) works in London and runs a garden in North Wales. He has written a dense, packed book on colour and information planting which ought to be read. You may think it is a case of the Lane Phlox calling Lacey too fanciful, but I do find his style indigestible. He also tends to fall off into too many plant-names and lose the reader without describing them. It is better to be selective and more readable. However, his is the book to which I am still turning back for ideas and disagreements, despite the style.

Robin Lane Fox



Flower power

years laying out the gardens of the wealthy.

Harold Peto is also mentioned though linked with Lord Astor in a way which conceals the fact that he played an important role in the Italianate revival of Edwardian times whereas Astor was only concerned with his own unique creation at Beveridge House.

It is this bias towards professionalism that makes me most question the tenor of her story which concludes with a chapter on Sutton Place as the garden which points the way towards the 21st century. It seems to me that gardens such as this, while immensely interesting,

are not all what English garden making in our time has been about.

For the truth of the matter is that we are not a nation of garden designers but one of plant lovers and as my witness I call my colleague Robin Lane Fox whose book Variations on a Garden (Robin Lane Fox £10.95) has recently been re-issued after considerable revision and complete reillustration and is among the top six best sellers in the unrivalled R.H.S. bookshop at Wisley this autumn.

Robin is a good witness in this case, since he does not grow, nor I fancy does he really like, rhododendrons or any of the acid-soil plants. But he does love plants and he spends much time dreaming about them. He sketches out charming fables about plants, ponders their idiosyncrasies and considers with great care, not only where they will grow best, but also

what company will be most advantageous to them.

My own belief is that love of plants has been the true characteristic of English (in this instance not necessarily British) gardening for many centuries. It is a mistake to think of the 18th-century as being dominated by flowerless landscapes. Kent, Brown and the rest managed only a few hundred of them and most of England went about growing flowers as it had been accustomed to do.

Then, in the last 30 years, the flower arrangers arrived not only to demand new flowers and leaves but also to disseminate new ideas about colour and form, contrasts and harmonies. That was when Miss Jekyll was rediscovered for she too had been deeply concerned about such matters and they found her a congenial guide.

Now tourists flock in from all over the world to enjoy the English Garden and what they expect to find are plants superbly grown and arranged. If it is architectural design they are after they would do better to look elsewhere.

Arthur Hellyer

EVERYONE knows that it is easier to write old history than new. Close up too much is happening to distinguish what is significant and what is merely trivial. The passage of time will determine that and allow the historian to tell a convincing story.

This is as true of gardening as of everything else and so it was with special interest that I received Jane Brown's latest work The English Garden of Our Time (Antique Collectors' Club, £19.95) sub-titled "from Gertrude Jekyll to Geoffrey Jellicoe".

Jane Brown has already written perceptively about Gertrude Jekyll and Vita Sackville-West in Gardens of a Golden Afternoon and Vita's Other World, and both these formidable ladies figure prominently in her present story. She also gives plenty of space to William Robinson who, with Miss Jekyll, normally gets most of the credit or blame for what we have been about this past century but she does not fall into the trap and brings in a lot of less well publicised but important characters such as Thomas Mawson and Percy Cane, both of whom spent long

How green was our forest

Adrian Barnett reflects on the lessons learnt from his expedition to Ecuador's Mazan Valley



FOR THE past few days I have been cowering in South London, pining for tree-orchids, watching instinctively for alpacas, and wondering who has taken away my forest and its morning fog. After months in Ecuador's Mazan Valley, our British survey team has returned to adjust to the pre-Christmas rush. We miss the frogs, the toucans, some of the tensions of tent life, and the constant presence of rucksacks. As one of our female participants put it: "Wearing a rucksack feels like being pregnant backwards."

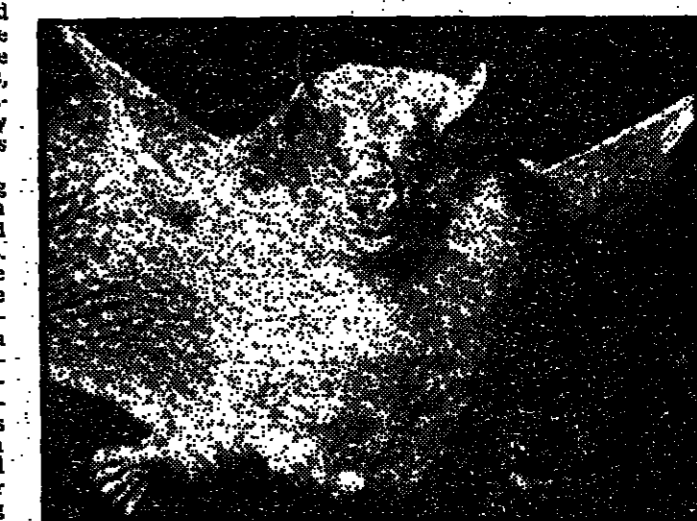
We have seen and collected some marvellous things. The Royal Botanic Gardens at Kew has our bundles of Ecuadorian orchids, including the rare and difficult *Leptoglossis*, the best flowers of which are yellowish-green with purple veins. We have tarantulas with pink and rusty red tubular flowers, six inches long; some enchanting little *maris calcularias* with purple-like flowers resembling drops of gold; a fearfully rare

white orchid with star-shaped flowers which grows only in the mist of white water-falls; the scarlet tubular *brugmansia*, which is pollinated by sword-billed humming-birds; and any number of dangling tree-orchids in shades of living green.

Our experts are still arguing whether the frogs have been better than the birds. We did see golden-plumed parakeets, the first sighting in the province for 40 years of this supreme rarity. We netted an orange-banded flycatcher and claim a probable glimpse of the hyper-rare rusty-faced parrot. Perhaps you would prefer the marvellous frog which carries eggs on its back or our lime-green tree frog with gold-filled eyes; personally, I fell for our tiny tree mouse, 2.5 inches long with brown liquid eyes, a whisking forest of whiskers, and misshapen claws which allow it to run up any stem before the clock strikes one.

It has to be said that the bat's performance was decidedly mixed. We did see the tarry brown messes of the true vampire bat; but when we sat out side bat caves and tried to count samples, we spent three hours in drenching rain and saw nothing on wings. A suspiciously rabid-looking bat then bit one of our young couples in the high-altitude camp; the panic occurred on a night when all communication broke down. I have fonder memories of our finds among the hawk moths, almost bat-sized insects which come in brilliant colours, like a coachman in full livery.

Apart from the rarities, we have a mass of data to record what the people of Cuenca will be saving in their forest. I hope they find it easier to save the ecology than I found it to save my field notes and packing cases. One type of Ecuadorian is a horn bursarist: My first packing list of our collections was lost by the officials, but they



A bat in the Mazan... a rare sighting

then refused to accept the duplicate unless the original was made available for destruction.

Packing and shipping have been nightmares and perhaps we should now become honorary export-managers on the strength of the experience. However, we did leave Ecuador's lively conservative groups with detailed plans of the Mazan forest; we have held press sessions, public reports, and even an open day on the forest's lower slopes which allowed intrepid car-drivers to park their vans uncomfortably close to some of the better lichens and meadow orchids.

Certainly, consciousness has been raised, not only among our 32 British participants but among our eight invaluable Ecuadorian scientists and the hundreds of people who know why their forest is very special. We have drawn up a management plan allowing for a resident British warden and an Ecuadorian partner; there are to be fixed nature trails, beginning from our base camp,

the local conservation trusts will mediate with the land-holders and the people of Cuenca, the town which bought the forest.

They even want us to return next year. I cannot wait, funds permitting, and perhaps 1987 really will prove the existence of the local's notorious flesh-eating rat. Meanwhile, I am still bothered by the prospect of the alpacas. Introduced to a nearby reserve, they are being nudged towards our valley on the theory that they cannot be less happy there than they have been in the Cajas national park.

If our plan is ignored on this cardinal point, the Mazan flora will be wrecked by the Ecuadorian ministry's own imports. Alpacas belong in Chile and Peru. The 30 which were down to Ecuador have already dwindled in the hotter, drier conditions and 1987 will be a much blimmer survey if these bumbling, woolly-coated lawn-mowers have been allowed a winter in Cuenca's forest reserve.



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BOOKS

Faraway phantom

ALAIN-FOURNIER: TOWARDS THE LOST DOMAIN. LETTERS FROM LONDON 1905 translated by W. J. Strachan. Carcanet £16.95, 223 pages

ALAIN-FOURNIER: A BRIEF LIFE by David Arkell. Carcanet £9.95, 178 pages

THE LOST DOMAIN: LE GRAND MEAULNES by Alain-Fournier translated by Frank Davison, illustrated by Ian Beck, with an afterword by John Fowles. Oxford £12.95, 298 pages

FEW FRENCH writers are fortunate enough to have the centenary of their birth celebrated in England with as much devotion as that of Henri-Alban Fournier who was born in 1886, son of a schoolmaster at Epineuil (Cher). He called himself Alain-Fournier when he started to publish in the literary reviews because he thought it sounded more distinguished. He was a poet, much under the influence of the nostalgic Belgian symbolist Emile Verhaeren, before he wrote his great novel of childhood and youth, *Le Grand Meaulnes*. His poem, dating from the Summer of 1906, *A Travers Les Etes*, written in vers libre, and first printed by his friend Jacques Rivière in *Miracles*, enshrines the experience of the unattainable, unknown girl, before he started work on the story, "C'est là... qu'au près de vous, oh ma lointaine, je m'en allais, et vous n'alliez..." etc.

Here we have a volume of letters relating to that period. He was then working in England as a clerk and translator for Sandersons wallpaper company. They were written to his

parents, his sister and to Rivière. We also have a new brief life of what was itself, alas, a very brief life, and a reprint with some attractive illustrations by Ian Beck in smudgy grey and yellow of Frank Davison's translation of *Le Grand Meaulnes*. This translation was first published in 1959, and has been available as a Penguin Classic unillustrated for the best of 20 years. The number of times it has had to be reissued shows that the popularity of this text, which many in Britain encounter in youth during work on A-level French, has not diminished in recent years.

Nor is its British vogue solely confined to the classroom. Whole generations of novelists have grown up to believe in the lost domain and the elusive girl once glimpsed there and once spoken to. She is in John Fowles everywhere, even an anti-Gallic Little Englander like Philip Larkin seemed to be smitten in an early book, *Jill*. And in the previous generation the Francophile Cyril Connolly was a kind of Grand Meaulnes of the London literary world.

Fournier was 19 when he came to spend that summer in London. He was preparing to take the entrance exam to the Ecole Normale Supérieure but he was also preparing himself for a career in literature. He lodged at Turnham Green with the Nightingales, his host being one of his bosses at Sandersons. The fascination of the letters lies in their continuous switches from the kind of thing any French boy of that age might write to his parents, to the complaints about English food and eating habits, fears that he is not doing his job well enough followed by pride that his letters for the firm are now being taken as models of their kind to profound meditations

on the nature of literary art with observations on Rimbaud, Péguy, Francis Jammes on the technique of free verse and the dangers of sentimentalism.

The young Frenchman was a conscientious sightseer, sending back a series of postcards of places like Hogarth's House in Chiswick with his comments scrawled all over them. These have miraculously survived and are reproduced here to the amusement of both books. During this time he acquired his love of Dickens. David Copperfield he regarded as a model for presenting events as seen through the consciousness of a child turning into a young man.

Some of the experiences Fournier had while he was in England such as seeing people wandering over the lawn at Chiswick in fancy dress during a fête served him well when he came to write his novel. The great experience, however, the meeting—if it can be so dignified—with the blonde, impossible, pure, and beautiful Yvonne de Quievrecourt, la belle inconnue, had already occurred in Paris; that is to say the loutaine virus had already taken; their encounter was in June, just before he left for England. From Arkell's book we learn that, confusingly, Mlle de Quievrecourt, daughter of a naval captain, was not the first Yvonne in his life.

Even more interestingly we learn what happened to Fournier after he had written the novel and it had been published to great acclaim but failed to win the Prix Goncourt in 1913. Far from pinning over either Yvonne, he had acquired a new mistress, the fashionable boulevard actress, Simone Benda who appeared in plays by Henri Bernstein. It seems as if the sweet smell of success



The chateau—one of Ian Beck's illustrations for Fournier's celebrated novel, *The Lost Domain*

had begun to dissipate memories of the lost domain by now, even though he was contemplating another novel, *Colombe*, about a dove-like heroine. In outline this novel sounds just like a piece rose by Jean Anouilh, the most prolific of

Fournier's literary heirs. Both English books make a real contribution to our knowledge of one of the most haunting literary talents to have perished in the First World War.

Anthony Curtis

Iron Curtain myths

ARMED TRUCE: THE BEGINNINGS OF THE COLD WAR 1945-1946 by Hugh Thomas. Hamish Hamilton. £15.00, 667 pages

IN THE popular imagination, the Cold War is vaguely believed to have started with Churchill's celebrated "Iron Curtain" speech at Fulton, Missouri, on March 5 1946, and then following the death of Stalin several years later, to have gradually melted away under the beneficent rays of "peaceful coexistence". Neither assumption has any basis in fact. The tangled roots of the conflict, as Hugh Thomas clearly demonstrates in this weighty new study, had begun to appear well before Churchill's Fulton speech, and far from having melted away, the contours of the Cold War still haunt the scene despite the various conciliatory gestures made by both East and West over the past three decades.

Hugh Thomas has set himself a mammoth task. *Armed Truce* has 667 pages of text, 11 appendices, 88 pages of notes and 23 pages of index, yet it deals solely with the events of 1945-46, and is described in the preface as only the first of a series to be devoted to the Cold War. Inevitably, much of the content covered in this first volume is already familiar, notably from the memoirs of leading participants in the growing crisis, such as President Truman's Year of Decision, and the reflections of such astute observers of the scene as George Kennan and Charles Bohlen. Nevertheless, from diligent researches into the American National Archives and the Public Record Office in London, and from certain unpublished diaries and private communications, the author has unearthed some fascinating new details, and he is no doubt right in claiming that no one up to now has tried to pull so many strands together into a satisfactory combination.

In short, this is the first tier in a monumental work of synthesis. It consists of five sections, the first three of which are devoted to setting the scene

and examining the personalities of the principal actors. To begin with, Hugh Thomas analyses the interrelationship between traditional Russian imperialism and Marxist-Leninist ideology. Stalin had skillfully played to both themes, but had sought to convey an impression of sweet reasonableness towards his Western allies, Roosevelt, and Churchill, at the great wartime conferences. With the war once ended, however, there was no further need for conciliation and he was soon reverting to well-worn threats and to denunciations of alleged Western imperialist plots against the Soviet Union. As the author puts it in a felicitous phrase: "Stalin had squeezed all that he could from that charming wartime temporary gentleman, 'Uncle Joe.' 'Uncle Joe' now could retire."

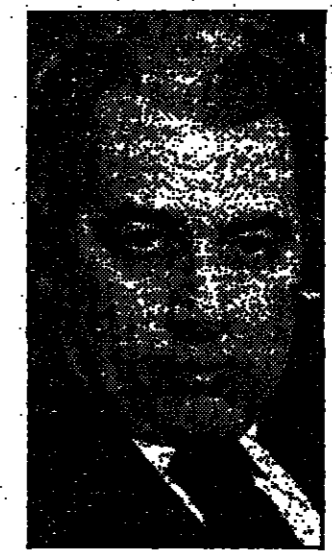
In the second section, Hugh Thomas deals with the policies, or lack of policies, of the Western allies in dealing with the cumbersome presence of their Soviet partner, with a close look at the fluctuating fortunes of the Anglo-American relationship, first under Churchill and Roosevelt, later under Truman and Atrlee. In the third, he examines the fate,

not only of defeated Germany, but of all those countries which had been drawn into the recent war, and which were now rapidly becoming pawns in the emerging struggle between East and West.

In the case of Poland, Czechoslovakia and other countries of Eastern Europe, there was now little the Western Powers could do to help. It can also be argued that the Western Powers were themselves partly to blame for the Cold War: first, for their misreading of Marxist-Leninist ideology and of long-term Soviet intentions; secondly, by a reluctance to hurt Soviet susceptibilities during the actual conflict for fear of a separate Soviet-German peace; thirdly, by certain illusions cherished by their leaders.

There was Roosevelt, with his rooted conviction that he (and he alone) knew how to deal with "Uncle Joe." But in that, he was not, in fact, alone: Churchill himself said more than once of Stalin that he "couldn't help liking that man." On occasion, Stalin excelled in the role of the Little Father of his people; he probably believed it himself.

The final two sections deal with the "Manhattan Project," the explosion of the first atomic device and the flurry of espionage that surrounded it as the Soviet Union hurried to catch up; and finally, with the head-on East-West confrontation over Persia, arising from the Soviet bid to take over Azerbaijan. By now, the Soviet had learned to read the Soviet hand correctly, and Stalin withdrew. It was late in the day for such a lesson to be learnt.



Hugh Thomas: back to "Uncle" Joe Stalin

Armed Truce is not only the start of a much larger project, but is itself remarkably successful in pinning down, in finest detail, a crucial turning-point in contemporary history. Unfortunately, it is also marred by a number of typographical errors, which some of the intended text, and these should certainly be corrected in a future edition.

Erik de Mauny

Ringside era

THE BEST SHORT STORIES OF RING LARDNER by Ring Lardner. Picador £4.95 (paperback) 346 pages

RING LARDNER is one of the most biting of American satirists — yet so successfully did he use the techniques of the traditional American funnyman ("fishing," colloquialism, clichés, time-worn plots) that he was celebrated as a humorist by the very characters he mocked.

Lardner grew up in the age of the Robber Barons. It was also the era of "muckraking," when Mencken was scouring the "booboisie" and Sherwood Anderson in prose and Edgar Lee Masters in verse were exposing the narrowness of American small-town life.

The way to fame in those days was through journalism, and Lardner became a sports-writer for the *South Bend Indiana Times* and the *Chicago Tribune*. Tiring of straight reporting, he took to publishing letters from a fictional baseball player, Jack Keefe, in which he "unconsciously" exposed the cruelty and selfishness of his hero. "These letters, published as 'You Know Me, Al' in *The Saturday Evening Post*, show him to be a true forerunner of Sinclair Lewis.

Between "You Know Me, Al" and "How to Write Short Stories" in 1924 Lardner published a great deal. "How to Write Short Stories" brought together what Lardner considered his best pieces to date — stories such as "Alibi Ike," "Some Like Them Cold" and "The Golden Honeycomb," all of which, plus the shattering "Haircut" from *The Love Nest* in 1928, are reprinted in the volume under review.

In truth, it would be hard to

fail in choosing *The Best Short Stories of Ring Lardner* for he did the job very well himself and has been selected and re-selected many times since his death in 1933. The present edition was published by Scribner's in the 1950s and has never been bettered. Why Picador should have chosen to bring out these superb stories nearly 30 years after the 1957 collection is a bit of a mystery but nevertheless a very welcome event.

No doubt their being out of copyright helps, but let us hope that it signals a new British understanding of where the real strength of American literature lies. The virtually unknown Lardner is immensely superior to the lightweight but much better-known Damon Runyon. Certainly, these 25 time-bombs unearthed from the Lardner archives make a lethal impact just before Christmas. No glutinous sentiments here, but a merciless exposure of human foibles. At his best Ringgold Wilmer Lardner of Niles, Michigan, is a satirist of the first order. He exposes sham and hypocrisy, but is neither bitter nor patronising. To compare him with the sentimental W. W. Jacobs is to see how unbearably accurate Lardner's simulacrum of life at this level can be.

As W. H. Auden points out in comparing the life of Huckleberry Finn with that of Oliver Twist, there is a terrifying grimness about Huck's experiences that Oliver, for all his bad fate, never had to face. "All American literature comes out of one book by Mark Twain called *Huckleberry Finn*," said Ernest Hemingway. Ring Lardner followed in the footsteps of the master—and he could have even chosen no better example.

Geoffrey Moore



Caenull Horse, Wold — as on 12th century maps by Mariya Bridges to be found in "Markings: Aerial Views of Sacred Landscapes" (Phaidon, £25.00)

Photography

Lens eye views

IN THEIR Views From the Hollywood Hills (Pavilion Books, £12.95) Carey More and her writer father Julian discover the suffocating smog and slurb—the almost featureless, seemingly infinite suburban grid — of Los Angeles. The beautiful, richest, metropolis that is the richest city, in the most prosperous State in the world's most powerful country, is perfectly illustrated in over 100 photographs.

Julian More's succinct and witty text takes a giant billboard slogan, "Dreams a Reality" as its theme. In LA—City of the Angels, dreams, very often, are reality.

Emeritus professors are pretty rare in the photography game. Pro-Rectors even rarer. John Hedgecoe founded photographic studies at the Royal College of Art after establishing an enviable reputation as a photo-journalist.

Two of his "how to" photography books, *The Basics of Photography* and *The Photographer's Handbook*, have both sold over a million copies, and his latest, *John Hedgecoe's New Manual of Photography* (Weidenfeld and Nicolson,

£12.95) looks destined to do the same.

The book offers a wealth of creative and technical ideas for photographers, however limited or sophisticated their equipment, whatever their ambitions or special interests.

Jane Bown stumbled into photography almost by accident. To a newly-demobbed, twenty-year-old Wren, taking pictures seemed like a sound idea. She joined *The Observer* in 1930, and has been recording events for that newspaper ever since. *Women of Consequence* (Chatto and Windus, £12.95) is a collection of the portraits for which she is probably best known. Her technique is deceptively simple — "These pictures," she says, "were mostly taken indoors with the sitter in the strongest pool of light by a window. Whatever the method, her pictures will long outlive the words which they illustrated."

Life ceased publication as a weekly news magazine in 1972, its advertising revenues having slowly bled away to television. The title still survives, though, and the familiar red-and-white Life logotype now hits the

world's news-stands on a monthly basis.

Big Red is 50 this year, and *Life, the first 50 Years* (Hutchinson, £29.95) records the half-century in almost 5,000 images.

Life certainly knew the value of a picture—800 working hours were spent in taking nine perfect exposures of the Sistine Chapel ceiling for a 1949 colour spread. And they could also exert some journalistic clout—one example of each of the US Air Force front-line aircraft were flown to Florida for a 1936 Air Age issue. The exercise was specially authorised by President Eisenhower; the fuel for the photographic sortie alone cost \$300,000.

Although peerless in presenting the best in photo-journalism, the "big picture" in every sense, the simple approach was often more effective. In 1969, family portraits of the 242 servicemen killed in Vietnam in one week filled 12 pages. Pre-Rambo America realised then that its combat dead looked more like the boy next door than Sylvester Stallone.

Glyn Genin

Counting the cost

THE PRICE OF WAR AND ECONOMIC POLICY by Alec Cairncross. Basil Blackwell, £17.50, 247 pages

ECONOMICS AND ECONOMIC POLICY by Alec Cairncross. Basil Blackwell £22.50, 230 pages

IN HIS economic writings Sir Alec Cairncross combines a most refreshing flow of sweet reason with remarkable literary vitality. Of these two new books, the first (*The Price of War*) is a history of the post-1945 efforts of the Allies to extract Reparation from Germany, and the second (*Economics and Economic Policy*) a selection of re-printed essays and lectures on economic policy in recent years. Both can be warmly recommended to all who yearn for common sense with no nonsense, no algebra and almost no jargon.

The main essays in Sir Alec's second volume express his belief that since the 1970s opinion has swung much too far away from the earlier emphasis on high employment and growth, and has in some cases developed an "obsession" with inflation. He has no difficulty in demolishing monetarist dogmas fashionable a few years ago. He perhaps under-estimates the force of cost-inflation in 1968-76, but thinks "most economists would be inclined to agree that incomes policy in some form is indispensable if inflation is to be brought under control and employment must be made to expand."

For the future his final conclusion is this:—"What matters

is surely the level of output, employment and the standard of living more than changes in the value of money... In the end we cannot escape from the present depression without a large increase in demand, and there is no likelihood of such an increase without an initiative on the part of Government."

The Price of War tells in much detail the sobering story of the second effort to extract reparations from a defeated Germany. The post-1918 enterprise had collapsed, damned forever by Keynes's famous argument that an attempted financial tribute would be frustrated by the "transfer problem."

After 1945 the Western Allies failed and the Russians succeeded. This was basically for two reasons: first that the Russians were determined to succeed, come what may; and secondly that West Germany was a food-importing, and East Germany a food-exporting area. At first sight "dismantling" of plants seemed to kill two birds with one stone: it reduced Germany's war-making capacity, and it solved the "transfer problem." But both the Western Allies and the Russians had discovered by 1947 that if you removed the plant (eg steel works), Germany could no longer export its products.

If the UK had been willing to let millions of Germans actually starve in the food-importing British zone, reparations could have been secured. But as soon as it was decided not to allow starvation, Britain was forced either to find the dollars for food imports into Germany or to allow the Germans the capacity to produce exports to

pay for them.

The Russians in the food-surplus Eastern zone did not face this dilemma. So they allowed the German population just enough food to live, and removed to Russia some plant and equipment, and very large quantities of current output of consumer goods. Capital transfers were largely a failure for purely physical reasons. Prisoner of war labour, however, was also used.

Sir Alec thinks the Russians had altogether extracted something like their target of \$10bn worth (in 1940 values) by the early 1950s. This was mainly done by removing current output to the Soviet Union at the expense of the East German population. Probably even the physical destruction in Russia was largely compensated by this \$10bn.

He contrasts this with the experience of the UK; which as a result of fighting the war for six years lost overseas capital assets, and incurred and paid out overseas war debts, totalling together about \$20bn. Marshall Aid grants required only a part of this. By contrast the Soviet Union and the US lost little on balance, East Germany lost much, and West Germany all, most nothing (counting in Marshall Aid).

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Douglas Jay

Primal northern scene

FIGURES IN A BYGONE LANDSCAPE by Don Haworth. Methuen. £9.95, 216 pages

RECOLLECTIONS OF early childhood are a chance commodity. Don Haworth's book tells the first seven years of his life—1924 to 1930—in the East Lancashire. The first page so delighted me that I read the remaining 215 between lunch and tea.

At middle-age, it is often easier to recall the details of our earlier years than of later times when we have learnt to record our affairs in diaries, certificates, cheque-stubs and so on. Mr Haworth (whom I know best as a radio playwright) reveals an unusually clear memory of his childhood, but he amplifies it with what he has picked up in later life:

A doctor came and put me through it. He was called Dr Erwin, which was obviously an alias. He looked like photographs of Marcel Proust, with a black moustache and sleeked hair and unblinking eyes. He thrust a spoon into my throat which rattled on my teeth and set me at an upright chair threatening not to go until I stopped crying.

Mr Haworth would be about two at this time. He had teeth, but his account of things in general is still in the concertinaed manner familiar from the opening of *A Portrait of the Artist as a Young Man*. Certainly he would have seen no photographs of Proust. We do not hear about reading until after he was four. His teachers reckoned him a slow reader.

His life was of a comfort and happiness that must have dismayed the more extreme of the Labour voters around him. Clothes were of course handed down from older to younger and worn until they fell to pieces, but young Don's more serious turnout-troubles sprang from his being better dressed than his coevals. True, he never wore clogs like other boys—fair enough for a shoe-maker's son—but he had to play football in his ordinary boots instead of proper football boots.

Father was in charge of the shoe department of a Co-op branch with three men under him. When the cotton trade began to sink, he was moved to a central factory as a machinist, but if he had complaints, he never brought them home. He was evidently not a complaining man. A Great War infantryman, he did not ever complain about his life. "He did his best. After all he was only a horse soldier."

This book contains research as well as recollection, but Mr Haworth is adept at developing the comic anecdotes of his pictures of Lancashire life in the 1920s. His world emerges in graphic detail, garnished with wit and drenched with the special brand of affection we retain for a happy home, an affection arising from content with the familiar. Only a committed innovator would have wanted a change. Two Labour Governments were elected in that decade by voters like the Haworths' neighbours, but home life in industrial Lancashire changed little until the mills ran out of work; and I dare say it is not much different in essence today. I hope so, anyway.

B. A. Young

SPORT AND POLITICS: A WORLD DIVIDED by Neil Macfarlane. Collins Willow. £12.95, 271 pages

SERIOUS BOOKS about sport are relatively rare. Even rarer are books that confront, face on, the politicisation of sport, and acknowledge, without blinking, how sport and politics have become so inextricably mixed.

Thugery in soccer. Athletes, money, drugs. Boycotts. Big business and corporate sponsorship. The Olympic Games as a major instrument of international politics. These are all big issues, deserving mature treatment, and that is what they get from Neil Macfarlane, a

former British Sports Minister (Tory), who on being appointed to the job in September 1981 received a phone call from Michael Heseltine (then Secretary of State for the Environment), asking: "You do like sport, don't you?"

As Macfarlane says, what Heseltine omitted to ask him whether he was also interested in gypsies and gems, ancient monuments, sites of special scientific interest, national heritage, zoos, national parks, royal parks and palaces, nature conservation, planning and land reclamation — all of

which (and more) come under the umbrella of the Parliamentary Under-Secretary of State with responsibility for sport.

In a way, the ambiguity with which the political establishment in Britain treats sport says it all, for Britain is almost the last refuge of amateurism — something that is demonstrated, with equal vividness, by our performances at world level and by the sort of bureaucratic shambles that masqueraded last summer as the Edinburgh Commonwealth Games.

Sport and Politics was written

CRIME

HARJUNPAA AND THE STONE MURDERS by Matti Joensuu. Gollancz £8.95 156 pages

REMEMBER ARIADNE Oliver, the delightful fictitious crime writer created by Agatha Christie and persecuted, as Dame Agatha was by Poirot, by her own fictitious creation, in this case a Finnish detective? Well, here is another Finnish detective, Timo Harjunpaa, making his debut.

But Joensuu knows how to put together a good story, and the tale flows smoothly (the



horrifying account of adolescent thuggishness will hardly make him popular with the Helsinki Tourist Board). Raiti Taylor's translation has these Finns speaking pure—or rather impure—British ("bloody berk" etc); but this was the only possible solution after brief initial linguistic shock, it all convinces.

William Weaver

Sports minister speaks

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Sport and Politics was written

in collaboration with Michael Herd, of the *London Standard*, and appears to rely, on occasion, for too heavily on the cuttings files. But it contains many good things, particularly when Macfarlane is clearly drawing on his experience as an insider. Soccer, rugby, and cricket are adequately covered. But the best chapters are those on athletics and drugs, and on the political manoeuvrings that torpedoned the Moscow and Los Angeles Olympic Games. (Macfarlane sounds highly pessimistic about the Seoul Games, in 1988, and who would not?)

He says that if he has a particular memory of his four years as Sports Minister, it is of a tiny youngster, about eight years old, approaching him after he had opened a synthetic soccer pitch in Toxteth, on Merseyside.

"Is that for us?" he asked, sounding like John Conte, the former world light-heavyweight boxing champion.

"Yes, it is," I replied.

"Well it's smashing, burrit's too bloody good fer us up ere."

There is all the sadness in the world in that remark.

Michael Thompson-Noel

